

Praemium Ltd Annual Report

2012



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Chairman's Letter to Shareholders



Dear Praemium Shareholder,

The 2011/12 financial year was a period of significant change and progress for Praemium. Following the conclusion of the previous financial year (2010/11) the then Board recognized the need for a new approach to managing the business and for the development of a realistic plan to secure a sustainable basis for pursuing medium term shareholder value growth. The Board acted quickly, accepting the resignation of the Company's Founder and CEO, Arthur Naoumidis, and appointing Michael Ohanessian as CEO in early August. I joined the Board at the same time and was subsequently appointed Chairman several weeks later.

Much has been achieved since Michael Ohanessian commenced as CEO. Most significantly the annual operating expenses of the company have been reduced by over \$3 million or approximately 19%. This, combined with the growth in underlying revenues in both Australia and the UK (refer graph on page 4), has resulted in a pleasing improvement in the Company's operating financial performance for the 2011/12 year. As you will read in the CEO's report, the Company's management has also made good progress on a number of other fronts during the year enhancing the efficiency and effectiveness of Company operations and developing clear strategic priorities in both Australia and the UK.

Considerable management attention has been given to the funds administration operations in the UK to enhance the operating procedures and systems needed to support high levels of customer service and satisfaction that are critical to ensuring the on-going rapid growth of this business. While there remain opportunities for further improvements, the progress made is a credit to the efforts and commitment of our management and the whole London-based team. Management of the Company has been simplified with the appointment of Christine Silcox as Chief Operating Officer with responsibility for operations in both Australia and the UK. Christine has been with Praemium for over 10 years and is a highly experienced funds administration executive. Her willingness to take on this expanded role with an active presence in both Australia and the UK is already providing considerable benefits in operating efficiencies.

The financial results of the Company for the year showed an underlying EBIT loss of \$2.0 million before restructuring and other one-off charges of \$1.9 million. Operating cash outflow for the year was \$3.0 million before non-operating restructuring expenses. Total cash outflow was \$4.7 million after non-operating restructuring expenses and capital expenditure. The Company commenced the year with cash reserves of \$4.6 million, raised \$4.8 million (net) from an equity issue and concluded the year with \$4.7 million. As reported in July, the final quarter of the year saw a very small positive net cash inflow, a very welcome

result reflecting both revenue gains and reduced costs but also the impact of the timing of receipt of several items.

The Board's current expectation, in the absence of any new initiatives, is that the Company's net operating cash flow for 2012/13 will again be negative but at a reduced level to the year just completed. On a similar basis the Company's cash resources are expected to be sufficient to support foreseeable medium term needs.

I would like to share with fellow shareholders how I see the Praemium business.

In Australia Praemium provides internet-accessed portfolio administration software services. Approximately 70% of total Australian revenues are earned from these services provided to 478 financial services organisations (financial planning firms, stockbrokers and accountants) who in turn use Praemium's portfolio administration services to manage a total of 44,678 investment portfolios with a total value at 30 June 2012 of \$43 billion. Praemium also provides equities portfolio administration software services for several of Australia's leading financial institutions, and provides the software service supporting Blackrock's Australian Separately Managed Account service (\$504 million) and Powerwrap's wrap platform.

In 2011/12 Praemium's Australian business generated sales of \$11.1 million and an operating (pre one-offs) EBIT contribution of \$3.3 million, reflecting the partial impact of the October 2011 price increases and September 2011 cost reductions. Normalised EBIT based on the 2011/12 results is estimated to be approximately \$3.0 million to \$3.5 million.

While the growth of the Australian business has slowed in recent years, Management has identified a number of opportunities for future growth including functionality improvements in the existing service, and through a broadening of software-based services to existing V-Wrap clients. The Board believes the Australian business is a financially and strategically valuable business contributing a value that more than supports the recent market value of the company.

In the UK, Praemium provides specialised funds administration services based on the proprietary software that underpins its Australian services. These services involve varying degrees of fiduciary responsibility for the management and custody of client funds. Praemium's subsidiaries in the UK and Jersey are regulated, in the UK by the Financial Services Authority and in Jersey by the Jersey Financial Services Commission. Praemium is one of a small number of independent funds administrators in the UK able to offer a sophisticated Separately Managed Account service to Independent Financial Advisory (IFA) firms. A measure of the demand for Praemium's offering,

notwithstanding its modest scale, is the growth in IFA firm clients from 30 in July 2011 to 57 at 30 June 2012.

The profit margins of Praemium's businesses in Australia and the UK are both highly leveraged to scale. In Australia, with \$43 billion under administration, operating costs are almost entirely fixed; incremental revenue changes fall largely to profit. In the UK it is too early in the growth of the business to accurately assess the proportion of operating expenses that are fixed and variable but the expectation is that much of the cost structure required to operate the business at a profitable level is already in place.

For the 2011/12 year the UK operations had operating expenses of £4.2 million and earned normalized revenues of £1.3 million on average funds on platform (FUM) during the year of £350 million.

Praemium has made a considerable investment in the UK business since setting up in 2006. While it is difficult to assess the value of the UK business at its present scale it remains the Company's expectation that as FUM grows the value of the business will justify the continuing commitment being made by the Company and its shareholders. In the medium term the most important determinant of value is the rate at which funds under administration are added to the platform; growth in FUM is a measure of both market need for our SMA product and of the quality of our administration services.

The 2011/12 year has seen some significant changes to the composition of Praemium's Board. Dr Donald Stammer, Chairman of the Board since the Company's IPO and ASX listing in 2006, retired as Chairman in August 2011 and subsequently stepped down from the Board in March 2012. Mr John Bryson also retired from the Board in June 2012. Both Don and John gave valuable service to the Board and to Praemium; they both remain significant shareholders of the Company and we look forward to their continued interest and support.

Two new non-executive directors joined the Board during the year to fill the vacancies created by our retiring directors. Peter Mahler, appointed in December 2011, and Bruce Loveday, appointed in July 2012 bring skills and experience of particular relevance to Praemium's business - Peter Mahler in information technology management and Bruce Loveday in financial services and funds management. Both are already making valuable contributions to the Company. Michael Ohanessian, our CEO, was also appointed to the Board during the year as Managing Director.

As I have outlined, 2011/12 was a year of significant change and progress for Praemium. I would like to express my appreciation to each member of the Board during the year, to the non-executive directors of our UK subsidiary and to the CEO, his management team and all of Praemium's staff for their commitment and achievements during the year.

The priority for the current financial year is to further develop our strategies to build on Praemium's competitive strengths and take the Company as quickly as possible to overall profitability.

I look forward to seeing as many shareholders as possible at the Annual General Meeting.

Bruce Parncutt
Chairman



Note: Revenue excludes Powerwrap share issue and pre-paid license fees

CEO's Report



Dear Praemium Shareholder,

This past financial year we have seen a major step forward in the evolution of our company. We set ourselves the initial target of moving towards profitability by a combination of cost reduction and revenue enhancement. The former was achieved by the undertaking of a restructure in the first half of the year. The latter has been achieved by seven consecutive quarters of recurring underlying revenue growth in both our Australia and UK businesses (refer graph on page 4). By the second half of the financial year progress was clearly evident in our financial results with a breakeven EBITDA. Coming off a loss of over \$5 million in the previous year, it is most pleasing to see the strides that we have made.

I want to especially thank the staff of Praemium for their efforts over the last year and for their hard work in rebalancing our cost base. Their dedication and focus on the task has been relentless and I am very proud of the results. In addition to the turnaround in our financial performance, I am encouraged by the progress we are making in building the business. In the UK, for instance, we have managed to increase our funds on the platform by 45% and have increased the number of financial planning firms using our platform from 30 to 57 (an 87% increase). We have also had a big uptake in the number of discretionary fund managers (DFMs) who publish investment models on our platform.

Importantly, Praemium International received approval by the Jersey Financial Services Commission to extend our discretionary portfolio service (*dps*) into the international market. Although it is still early days, we see a tremendous opportunity to leverage our well-established UK business into this huge potential market. The *dps* proposition is ideally suited to DFMs, Trustees and Advisor Firms with an international clientele looking for a discretionary, scalable and online investment platform. I am very encouraged by the pipeline of business that we see coming from clients in Europe, Asia and the Middle East and am happy to report that we are now taking on business in these regions.

In Australia our flagship V-Wrap product continues to demonstrate its superior capabilities as an administration platform, particularly direct equities. We have managed to hold the line on portfolio numbers in spite of market apprehension towards equity markets. This is a solid result, and is a testament to our renewed focus on client-centric development. Over the financial year we developed many new features, such as our new customised reporting tools, that we think significantly improve V-Wrap's future reporting capabilities and its competitive position.

Overall, FY2012 has been a year of major change at Praemium and we are pleased with the progress we have

made thus far. Looking forward, Praemium has two important competitive differentiators:

1. Our non-custodial portfolio administration system, V-Wrap, continues to have no equal when it comes to direct equities. We believe our competitive advantage in processing corporate actions and daily portfolio reconstruction is highly defensible.
2. We believe that our Separately Managed Account (SMA) technology, which we developed in Australia and launched in partnership with BlackRock, is a best-in-breed system.

Our plan is to continue to expand the menu of capabilities that V-Wrap provides to increase its utility to the Financial Planning and SMSF markets. We are also very excited about the prospects for SMA in the Australian market. Our SMA technology, which is operated by BlackRock and known as the Customised Portfolio Service (CPS), is the clear market leader as measured by funds under management. Its reputation for service excellence and value for money is unsurpassed. The advantages of the SMA approach over traditional managed funds continue to attract considerable interest as investors seek cost-effective, transparent solutions from an independent provider. With the advent of Future of Financial Advice (FoFA) regulatory changes we believe that SMAs will become an increasingly important segment in the coming years due to their inherent advantages over traditional managed funds. Our market-leading SMA technology, which is operated by BlackRock, will therefore become an important part of our growth strategy. The UK investment environment is facing a similar regulatory change and so we also expect the UK market to embrace the advantages of SMA technology.

These regulatory changes in both of the markets in which we operate provide a great opportunity for Praemium. Our service offering is ideally suited to the new regulatory regimes and is a well-structured solution for a fee-for-service, commission-free world. We also believe that a rich web-based investment platform from an independent provider will be an important differentiator.

Now that we have completed the resizing phase, we are looking to this coming year as a time for us to implement our growth strategies. It promises to be an exciting year! I look forward to discussing the company's prospects at our Annual General Meeting.

Michael Ohanessian
Chief Executive Officer

Key Facts & Figures

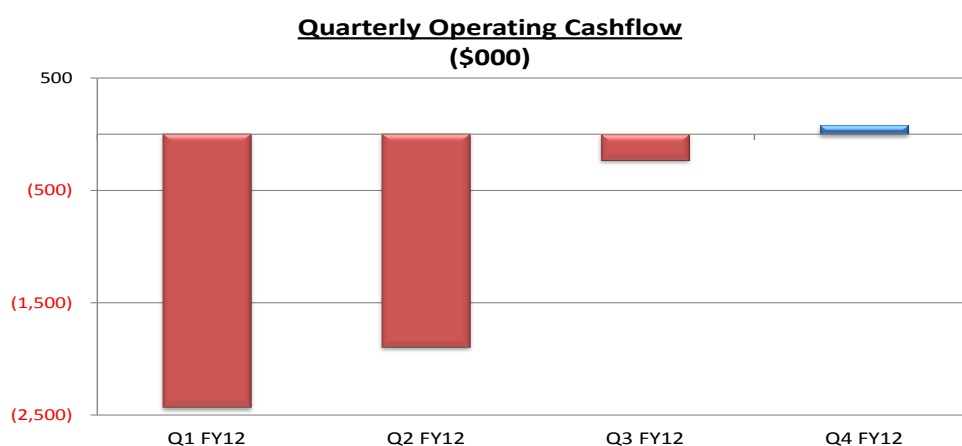
Service Metrics

	FY2012	FY2011	Change	Change %
Australia Revenue (\$000)	11,214	11,774	(560)	(5%)
Portfolios (V-Wrap)	44,678	45,075	(397)	(1%)
FUM - SMA (\$M)	504	574	(70)	(12%)
UK Revenue (\$000)	1,831	1,263	568	45%
Funds on Platform - UK (£M)	415	283	132	47%

Financial Metrics

RESULTS SUMMARY	FY2012 \$000	FY2011 \$000	Change \$000	Change %
Revenue	13,045	13,037	8	0%
Expenses	15,041	18,623	(3,582)	(19%)
EBIT*	(1,996)	(5,586)	3,590	64%
Net Loss after Tax	(3,945)	(5,536)	1,591	29%
Earnings per Share	(1.4)	(2.5)	1.1	44%
Cash	4,713	4,644	69	1%
Net Assets	6,592	5,494	1,098	20%
Operating Cashflow*	(3,082)	(5,854)	2,772	47%

*Excludes restructure costs



Directors' Report

Who We Are & What We Do

Who we are

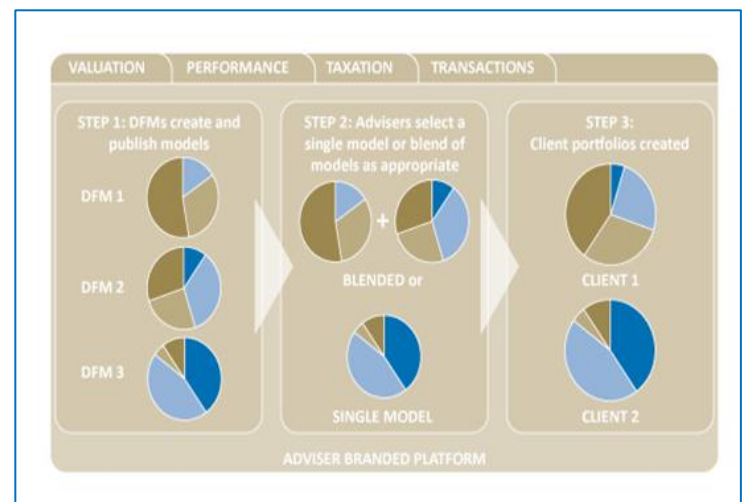
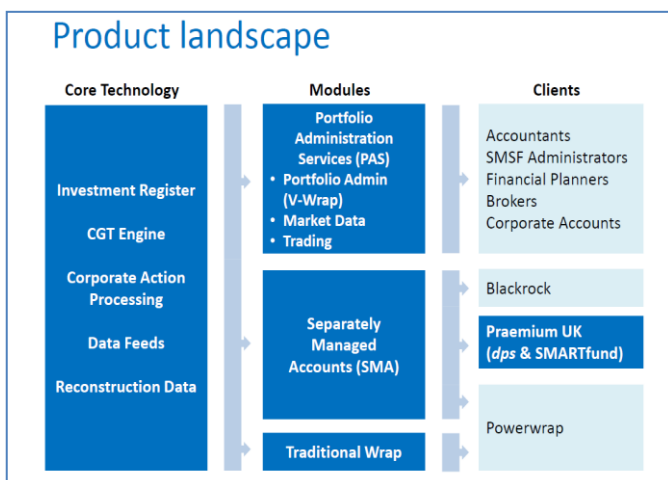
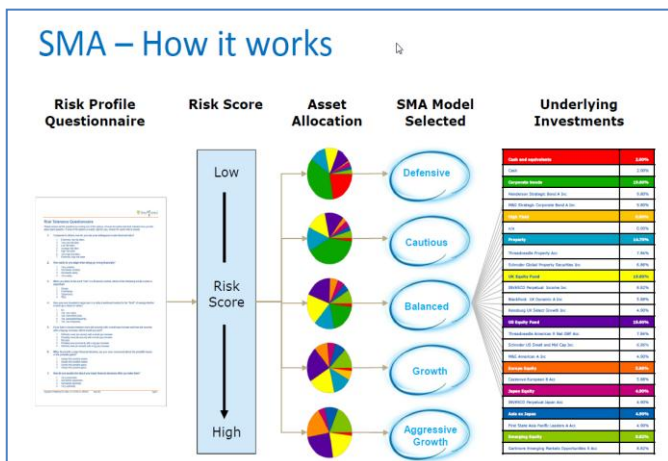
Founded in 2001, Praemium offers a range of portfolio management services used by accountants, financial advisors, stockbrokers, self-managed superannuation fund administrators and large institutions who usually rebrand and package the services for their own customers.

Praemium launched in the UK in 2006, shortly after the Company was listed on the Australian Stock Exchange. Its first UK product, SMARTfund, was delivered to market in November 2008. In the UK today Praemium offers both SMARTfund and Discretionary Platform Service (*dps*).

What we do

Praemium is a software provider of investment portfolio technology with strengths in multi-asset administration, particularly direct equities. Our technology specialises in corporate action processing, CGT optimisation, and sophisticated tax and investment reporting. In Australia this is branded as V-Wrap; this core technology underpins our wrap platform service and our Separately Managed Account (SMA) technology. For more information on SMA please see the **Separately Managed Account (SMA) Technology** section below.

In the UK, our core *dps* product (also utilising our proprietary SMA technology) provides advisors and wealth managers with a transparent end-to-end discretionary investment management solution for their clients. The *dps* service allows financial advisers to select investment models from a broad list of fund managers and to either use models already created or work with a fund manager to create a custom model for their clients. Client portfolios can be invested in one or more of these models without having to transfer their money into a managed fund. We also provide the SMA in Authorised Unit Trusts (AUTs) called SMARTfunds, which deliver a cost-efficient and transparent retail fund via an online investment platform.



Review of Operations - Australia

The Australian business has improved its productivity and efficiency post the restructure. As a direct result the Australian business has delivered very solid operating income, especially in the second half of FY2012, and continues to demonstrate excellent client service.

We added over 60 new firms to our V-Wrap service and over 5,000 new portfolios across our client base. These positives were offset by a similar number of portfolios being closed as the prolonged adverse market conditions continue to see worried investors turn to cash. We envisage that as market conditions improve (and more investors look for returns through equities) the organic growth among our client base will rebound.

In the interest of streamlining our product range and sending a clear message to the market that we are focussed on our core business, we have handed the promotion of the SMARTWrap platform to the operator, Powerwrap. There are now over 50 firms subscribed to SMARTWrap, and we are confident that Powerwrap will succeed in growing it strongly from this base.

Principal activities

It has been a busy year this year. Our team has focussed heavily on enhancing our core technology and broadening the scope and benefits of the features available to clients.

We have:

- Expanded and enhanced automated data feeds from a number of other service providers.
- Added online fixed-income trading driven by investor demand.
- Begun modernising our V-Wrap screens, improving the look and feel and making the layout more intuitive.
- Implemented more flexible V-Wrap pricing and billing options. In particular, we have developed a new package that appeals to smaller accounting and financial advice firms. This has proven very popular since its launch as an entry-level system.
- Created a Web Services feature that allows integration between V-Wrap and the client's underlying system.

Most importantly, we will shortly be releasing brand new reporting capabilities. This includes a user-friendly Report Builder with customisable features. Clients will be able to create reports under their own branding, will have the capacity to insert external documents (such as market reviews), and more. Production of reports will be easy, efficient and scalable. We are also creating great-looking reports that have been driven by client feedback.

Separately Managed Account (SMA) Technology

Developed in 2005, Praemium's Separately Managed Accounts (SMA) technology supports the BlackRock Customised Portfolio Service and the Powerwrap Separately Managed Account Service.

These SMAs are retail-managed investment schemes; this means that investors are able to participate directly in the stock market whilst still benefitting from professional investment management advice. Importantly, the investor owns the underlying securities rather than just units in a fund.

The SMA provides full visibility of the underlying assets, unlike a managed fund. Because it removes a layer of custody and administration, investing in a 'portfolio model' in an SMA structure rather than a managed fund is generally lower cost than a conventional managed fund, wrap or master trust.

The technology also enables the blending of two or more portfolio models, which gives financial advisers the ability to create a unique 'fit' for individual investors by creating a portfolio to reflect their individual risk-and-return needs.

SMAs are completely compliant with the new FoFA requirements and they offer a level of transparency in investments and fees that is far superior to conventional platforms. We believe that the market's appetite and demand for SMA solutions will grow over the coming years, and we are uniquely placed to satisfy this demand.

Future of Financial Advice (FoFA) reforms

We experienced a strong increase in adviser interest early in 2012 as the 30 June FoFA deadline approached. Many advisers were looking to reengineer their businesses to accommodate the ban on commissions. This interest subsided when the government moved the date forward by one year to 30 June 2013. As this new date approaches we have no doubt that advisers will increasingly explore the use of V-Wrap as an alternative to traditional platforms.

Review of Operations – United Kingdom & Jersey

This has been a year of growth for the UK business. During the last year Praemium UK has increased its FUM by nearly 50%, to £415 million as at 30 June 2012. Falling markets have offset some gains; however, this growth in assets compares favourably with competitors and the market generally.

Principal activities

In the UK we successfully implemented a restructure that has greatly improved operational efficiency. We have continued to focus on sales and service, increasing our sales force from one to three full-time staff (with more planned) and implemented a case tracking system that has seen a decided improvement in our ability to monitor and manage customer service enquiries.

This year we also have:

- Established a dedicated sales implementation team to help clients use the platform more efficiently and to facilitate the on-boarding of new investors.
- Established the Praemium International service. A number of firms have signed up for this service, which will lead to considerable fund inflows in the coming years.
- Increased the number of firms using our Sharia and US Citizen services.
- Implemented a number of global agreements with insurance bond providers; these are popular investment vehicles for the UK and international investment market.
- Launched the Wealth Solution Service for North Investment Partners, a strategic client who has rolled out the service to their key advisory clients.
- Increased the number of discretionary managers running investment strategies on our platform.
- Increased the number of Adviser Firm clients to 57 (from 30 as at 30 June 2011).

Retail Distribution Review (RDR)

The Financial Services Authority (FSA) is still in consultations with industry as we approach December 2012 when the regulations become effective. We remain

confident that the transition to the new RDR rules will positively affect our future business growth.

Going forward

In the coming year we plan to:

- Incorporate a dashboard for advisers to easily access important information about their business and to more seamlessly navigate the system.
- Improve customer service with the employment of dedicated relationship managers.
- Increase our sales presence by expanding our field sales and support team in order to accelerate FUM growth.
- Extend the platform to cater for the large corporate retirement savings market in both the UK and offshore markets.
- Add the ability for financial advisers to invest client money either on a discretionary basis (as is currently available) or on an advisory basis (in development). Providing our leading SMA technology in an advisory format enables us to offer the benefits of our rebalancing technology to the broader market.
- Introduce passive, low-cost models. Passive model portfolios, with their lower operating costs, are a fast-growing segment in the investment market and Praemium's *dps* service is ideally suited.

The year ahead

Praemium as a financial services software company competes on the basis of our superior technology. When it comes to providing a cost-effective platform experience that offers great functionality, technology matters. We will continue, and in fact expand, our investment in technology development. In addition to a continuous evolution of the technology, we will also strive to add significant new capabilities to expand our available market.

We are focussing on the UK and International markets as we believe in their potential for accelerated growth. For a business that commenced in the post-GFC period, Praemium UK has done well to a fast-growing platform in the UK market. With the business now well established, UK regulatory reform is expected to provide a further impetus.

In Australia, Praemium's best-of-breed non-custodial platform, V-Wrap, provides a strong business with some 500 corporate clients. Developments planned to augment its already well-established advantages are expected to see an increase in portfolio subscriptions.

Overview of 2012 Financial Position

Results

The consolidated loss attributable to the members of the Group was \$3,945,140 (FY11: loss of \$5,536,420). The Group's net asset position at 30 June 2012 was \$6,592,011 with \$4,713,179 held in cash or cash equivalents. The Group is debt free.

Significant Change in the State of Affairs

There were no significant changes in the state of affairs during the year.

After Balance Date Events

Praemium (UK) Ltd, a subsidiary of Praemium Limited, has undertaken a significant number of research and development (R&D) projects to maintain its technological advantage in the fund platform market and has sought to claim certain qualifying R&D expenditure as being eligible for tax relief under sections 1125 and 1126 of the UK Corporation Tax Act 2009. At 30th June 2012 Praemium (UK) Ltd had submitted a claim for a repayment of corporation tax after applying tax credits on R&D expenditures for the year ended 30th June 2010 of £193,154. The Company also pre-submitted a claim in respect of the year ended 30th June 2011, with value yet to be determined, and will submit a further claim for the year ending 30th June 2012. The amount of £193,154 was paid to the Company by HM Revenue and Customs on 17th July 2012. However, because there remains conditionality over the formal acceptance of the FY2011 and FY2012 claims by way of an HM Revenue and Customs final determination, the Company will only account for the claims by treating them as an exceptional item in the period in which any such final determinations are made.

No matters or circumstances, other than noted, have arisen since the end of the financial year which significantly affect or may significantly affect the operations of the Group, the results of those operations or the state of affairs of the Group in future financial years.

Future Developments

A detailed review of the Group's activities and prospects is contained within the Directors Report. The company will continue its activities as outlined in its initial prospectus and subsequent disclosures to the ASX. In the opinion of the Directors, disclosure of any further information would be likely to result in unreasonable prejudice to the consolidated entity.

Dividend Recommended, Declared or Paid

The Company has not recommended, declared or paid a dividend in respect of the full year result.

Praemium Ltd Board

The qualifications, experience and special responsibilities of each current director of the Company are provided below.

Non-executive Chairman – Mr Bruce Parncutt

Mr Bruce Parncutt was appointed to the board as a non-executive director on 8 August 2011. He became the Chairman of the board on the resignation from that role of Dr Don Stammer on 18 August 2011.

His career spans over 30 years in investment management, investment banking and stock broking, including seven years as Chief Executive of listed securities firm McIntosh Securities and three years as Senior Vice President of Merrill Lynch. Mr Parncutt was a director of Stuart Petroleum (an ASX listed company) from July 2010 until March 2011.

Mr Parncutt brings to the Board his extensive experience as a senior executive and director in the financial services industry as well as a non-executive director, including as a previous director of Australian Stock Exchange Limited.

Non-executive Director – Mr Robert Edgley

Mr Edgley holds a Bachelor's degree in Economics from Monash University together with a second degree in Japanese language and is a fluent speaker of Japanese.

His career has been predominately focused in International Finance and Investment Banking in Australia, the UK and throughout Asia, most notably in Japan.

Mr Edgley previously held the position of Director & Head of Sales, Asia Pacific Region, Royal Bank of Scotland, and was a Director of Royal Bank of Scotland Australia Pty Ltd. Mr Edgley is also a non-executive director of EVZ Limited an ASX Listed company.

Mr Edgley chairs the Group's Remuneration Committee and is also a member of the Audit, Risk & Compliance Committee.

Non-executive Director – Mr Peter Mahler

Mr Mahler was appointed as a non-executive director on 20 December 2011. Mr Mahler brings significant experience as a business and IT professional, specialising in program transformations and the mobilisation of IT organisations. He has held key roles in leading organisations including recently as Chief Information Officer (CIO) of AXA and previously as CIO at Coles Group and CIO of Belgacom, Belgium's incumbent Telco. Mr Mahler has worked across a number of industries including Aviation, Financial Services, Media, Telecommunications and Retail.

Mr Mahler holds an MBA in Operations Research and Marketing, and a Bachelor of Mathematics majoring in Statistics. Mr Mahler is also a member of the Group's Audit, Risk & Compliance Committee.

Non-executive Director – Mr Bruce Loveday

Subsequent to this financial year on 31 July 2012, Mr Loveday was appointed as non-executive director. Mr Loveday is currently Chairman of Bennelong Funds Management, having served in this role since July 2010. Mr Loveday brings a wealth of Australian and international financial services experience. His previous executive roles include Head of Fund Services / Head of Sales and Marketing with Intech Financial Services, Director of Hopkins Partners Funds Management, Head of Institutional Broking with HSBC Securities Australia and Director of Marketing with Colonial Investment Management. Mr Loveday will also chair the Group's Audit, Risk & Compliance Committee.

Managing Director / CEO– Mr Michael Ohanessian

In August 2011, Mr Michael Ohanessian was appointed as Chief Executive Officer to lead the next phase in the Company's growth. Mr Ohanessian was appointed as Managing Director on 20 March 2012.

Mr Ohanessian's executive experience in technology-related businesses brings a mixture of operational, strategic and leadership capabilities to this role. Following a ten-year career at Mobil Oil, Mr Ohanessian joined the Boston Consulting Group where he consulted to clients in industries such as banking, airlines, mining, packaging, sports, oil and gas, retailing and biotechnology.

As the CEO of Vision BioSystems, a division of the publicly listed Vision Systems, he transformed the business over seven years from a small unprofitable contract manufacturer into a vertically integrated, profitable and growing medical diagnostics business with distribution to over 60 countries. More recently, he has served as Chief Executive of Genetic Technologies Limited and has been involved in investment management and corporate advice with Lion Capital.

As CEO, Mr Ohanessian is working particularly closely with Praemium's UK team to expand its presence in the burgeoning market for financial services in the United Kingdom.

Praemium Australia Board & Management

The Board of Praemium Australia Limited is responsible for the oversight and operation of the Group's Australian business.

Executive Director / Group CEO – Mr Michael Ohanessian

Mr Ohanessian was appointed an executive director on 25 April 2012. Further details of Mr Ohanessian's qualifications and experience are set out on page 11.

Group Chief Financial Officer / Company Secretary– Paul Gutteridge

Mr Gutteridge joined Praemium in 2011 and brings significant experience from finance roles across Australia, UK and Canada over the past 15 years. Following his early career at Ernst & Young, he has held senior finance roles at Damovo (Australia), Telstra Business Systems and Netspace, where he led the company's divestment to iiNet in 2010.

Within Praemium, Mr Gutteridge's responsibilities include overseeing the financial strategies of the Group and managing the areas of accounting, tax, corporate governance, company secretary and treasury. Mr Gutteridge is a Chartered Accountant and holds a Bachelor of Commerce from the University of Melbourne.

Executive Director / Group Chief Operating Officer– Christine Silcox

Ms Silcox has extensive experience in project management, product development and back-office administration. Chris brought her expertise into the financial service industry over 15 years ago. Immediately prior to joining Praemium in 2002 she served as Administration Manager in the Australian operation of a large international broking firm; she was in charge of their retail portfolio management products, including superannuation. At Praemium, Chris is responsible for the operations for development and support services of both the Australian & UK regions. She also oversees the implementation of Risk activities for these regions.

Executive Director: General Manager Sales – James Maramis

Mr Maramis entered the financial services industry in the early 1990s working in Superannuation Administration with VicSuper then Portfolio Administration with Austrust. Further roles in Portfolio Administration followed with Bell Potter before he joined the Advent software in various consulting, product sales and distribution roles.

James initially joined Praemium in 2003 as a distributor before joining full time in 2005 as Strategic Sales Manager. In 2011 James was appointed General Manager of Sales, overseeing the company's sales and marketing functions.

Praemium UK Board & Management

The Board of Praemium Portfolio Services Limited, which comprises two non-executive directors and three executive directors, is responsible for the oversight and governance of the group's UK and Jersey incorporated subsidiaries.

Non-executive Director - David Harrison

David Harrison MA, FCA was formerly a partner in Harrison Son Hill & Co, Chartered Accountants and Chairman and Chief Executive of Harrison Brothers, an Underwriting Agency at Lloyd's of London. He is currently Chairman of Harrison Son Hill & Co Ltd, Insurancewide.com Services Ltd and deputy Chairman of Argenta Private Capital Ltd. Mr Harrison has more than 30 years' experience in the insurance industry.

A supporter of Praemium's UK Strategy since 2005, Harrison Son Hill & Co Ltd, which is associated with Mr Harrison's family interests, is a reseller of Praemium's technologies in the UK.

Mr Harrison is a member of the Group's Audit, Risk & Compliance Committee (on rotation with Mr Ward).

Non-executive Director - Roland Ward

Roland Ward has 30 years operational experience in the financial services industry in the UK, continental Europe and the United States. The positions he has held include Chairman of HBOS Financial Services (Europe); Finance Director, Clerical Medical Investment Group; Chief Executive Laurentian Financial Service; and Deputy Chief Executive of The Mortgage Corporation, 1989-1992. He has also been the Executive Assistant to the President of Bank of America, a non-executive director of financial distribution companies in Europe and chairman of an offshore venture capital firm.

Mr Ward is a member of the Group's Audit, Risk & Compliance Committee (on rotation with Mr Harrison).

Executive Director / Group CEO – Michael Ohanessian

Mr Ohanessian was appointed a UK executive director on 23 August 2011. Further details of Mr Ohanessian's qualifications and experience are set out on page 11.

Executive Director / UK CEO – John Martin

John Martin joined Praemium with over 20 years' experience in running IFA businesses. Mr Martin has held senior management positions in national IFAs and established two IFA businesses. Mr Martin was appointed as Managing Director in April 2008. Through an enormous wealth of industry experience, Mr Martin provides valuable thought leadership to the development of our products and services and drives development to ensure that our service offerings can be differentiated by their practical usefulness for our target markets.

Executive Director / UK Head of Legal & Regulatory – William Brewis

Mr Brewis was appointed a UK executive director on 23 April 2012 and acts as Company Secretary for each of the UK incorporated subsidiaries, as well as Head of Legal & Compliance.

At Praemium Mr Brewis is responsible for legal compliance of Praemium's Financial Services Authority (FSA) authorised activities, as well as overseeing legal and regulatory aspects of product development for UK markets. Mr Brewis oversees Praemium's UK Compliance and Money Laundering Reporting and is also responsible for Client Money and Assets oversight, in accordance with FSA regulations. Prior to Praemium, Mr Brewis was Director at Wragge & Co, specialising in FSA regulatory consulting for corporate clients.

Disclosures Relating to Directors and Senior Management

The number of Board Meetings and number of meetings of each board committee held during the financial year, and the number of meeting attended by each of the Company's Directors were:

	Board of Directors 16 Meetings		Audit Risk, & Compliance Committee 4 Meetings		Remuneration Committee 1 Meetings	
	Eligible to Attend as member	Attended	Eligible to Attend as member	Attended	Eligible to Attend as member	Attended
Mr Bruce Parncutt [^]	14	14	4	4	1	1
Mr Robert Edgley	16	16	4	4	1	1
Mr Peter Mahler	7	7	3	3	-	-
Mr Michael Ohanessian	5	5	-	-	-	-
Dr Donald Stammer*	12	12	3	3	-	-
Mr John Bryson*	16	16	4	4	1	1
Mr Arthur Naoumidis*	2	2	-	-	-	-
Ms Cathryn Nolan*	4	4	1	1	-	-

During the 2012 financial year, the Audit, Risk & Compliance Committee were all held as combined meetings.

*Directors no longer serving as detailed on page 14. Mr Bruce Loveday was not a director during the financial year and was appointed as a non-executive director on the 31st July 2012.

[^]Mr Parncutt as Group Chairman is not a member of the above committees, but has attended each meeting held this year.

Directors & Executives Relevant Interests in Shares, Options and Performance Rights

Details of the interests of the Company's Directors and senior executives in the shares of the Company are set out in Note 15(d) to the Financial Statements and the Remuneration Report. The long-term incentive for the Company's Non-executive Directors is membership of the Praemium Directors & Employees Benefits Plan, which was approved by shareholders on 11 November 2008 (the "Current Plan").

This plan has also been amended and updated at the Company's 2009 and 2011 AGM's. Details of the securities issued under the Current Plan and shares issued on the exercise of options or vesting of performance rights are set out in Notes 15(b) & (c) and 21(a) and (b) of the Financial Statements and, to the extent that they relate to options or performance rights issued since the end of the 2012 financial year, in the Remuneration Report.

Indemnification and Insurance of Directors, Officers and Auditors

The Company has executed a deed of access, indemnity and insurance in favour of each officer, including Directors and past directors, of the Company and in accordance with applicable laws. Under the deeds, Praemium indemnifies the officers and previous officers in respect of liabilities incurred in connection with holding office, to the extent permitted by the Corporations Act (or, where relevant, the UK Companies law). The Company is also obliged to carry insurance cover for the Directors and previous directors and provide them with access to Board and Committee papers. Such insurance also extends to cover directors and officers of the group subsidiaries.

Under its Constitution, Praemium must, subject to certain exceptions, indemnify each of its Directors to the extent permitted by law against liability that did not arise out of a lack of good faith. Total premiums paid in respect of all Directors' and Officers' liability insurance in this reporting period was \$55,526 (ex GST). In addition, \$149,850 (ex GST) paid in the prior reporting period relates to Directors' and Officers' liability insurance that covers the period up to 11 April 2013.

Further Disclosures

No performance rights have been issued under the Current Plan since the end of the financial year. Details of these options are set out in the Remuneration Report. Other than as set out in this report:

- No directors have any other rights or options over shares in, debentures of or interests in a registered scheme made available by the company or a related body corporate; or
- No directors have any relevant interest in debentures of, or interest in a registered scheme made available by the company or a related body corporate.
- There are no contracts to which any director is a party or under which any director is entitled to a benefit; and
- There are no contracts that confer a right to call for or deliver shares in, or debentures of or interests in a registered scheme made available by the company or a related body corporate.

Remuneration Report

During the financial year the following people served as directors of the Company:

- Mr Bruce Parncutt (appointed 8 August 2011);
- Mr Robert Edgley;
- Mr Peter Mahler (appointed 20 December 2011);
- Mr Michael Ohanessian (appointed 20 March 2012);
- Mr John Bryson (resigned 28 June 2012);
- Dr Donald Stammer (resigned 20 March 2012);
- Mr Arthur Naoumidis (resigned 8 August 2011);
- Ms Cathryn Nolan (resigned 18 August 2011).

Subsequent to this financial year on 31 July 2012, Mr Bruce Loveday was appointed as non-executive director.

Remuneration philosophy and principles

The Company's performance is dependent upon the quality of its people. To this end, the company applies the following principles in its remuneration framework:

- Provide competitive rewards to attract high-calibre executives;
- Link executive rewards to shareholder value; and
- Provide for a significant proportion of the executive remuneration to be 'at risk' – that is, dependent upon meeting pre-determined performance indicators.

Remuneration policies

The Board has established a Remuneration Committee, which is currently chaired by non-executive director Mr Robert Edgley. The members of that committee during the financial year were the non-executive directors: Dr Donald Stammer, Mr John Bryson and Mr Robert Edgley.

The Remuneration Committee was established to review the remuneration policies and practices of the Company to ensure that it remunerates fairly and responsibly.

The Company's Remuneration Policy, which was last updated in October 2009, is available from the Company's website. The policy is designed to ensure that the level and composition of remuneration is competitive, reasonable and appropriate for the results delivered and to attract and maintain talented and motivated Directors and employees. The policy is designed for:

- Decisions in relation to executive and non-executive remuneration policy;
- Decisions in relation to remuneration packages for Executive Directors and senior management;
- Decisions in relation to merit recognition arrangements and termination arrangements; and
- Ensuring that any equity-based executive remuneration is made in accordance with the thresholds set in plans approved by shareholders.

The Remuneration Committee is authorised by the Board to investigate any activity within its charter. It is authorised to seek any information it requires from any employee and all employees are directed to cooperate with any request made by the Remuneration Committee.

In considering the Group's performance and benefits for shareholder wealth, the Board has regard to the following indices in respect of the current year and the previous four financial years:

	2012	2011	2010	2009	2008
EBIT* (\$000)	(2.0)	(5.6)	(5.5)	(11.0)	(11.0)
NPAT (\$000)	(3.9)	(5.5)	(5.7)	(10.9)	(10.7)
EPS (cents)	(1.4)	(2.5)	(3.0)	(6.7)	(7.3)

*excludes organisational restructure costs

The Remuneration Committee is authorised by the Board to obtain outside legal or other independent professional advice and to secure the attendance of outsiders with relevant experience and expertise at meetings of the Remuneration Committee if it considers this necessary. It has exercised this right when it has considered it appropriate to do so.

The Remuneration Committee is required to make recommendations to the Board on all matters within the Remuneration Committee's Charter. A copy of the Charter can be found on the Company's website.

Remuneration structure

In accordance with best practice corporate governance, the structure of non-executive director and executive remuneration is separate and distinct.

Non-executive director remuneration

The Board seeks to set aggregate remuneration at a level that provides the company with the ability to attract and retain directors of the highest calibre, whilst incurring a cost that is acceptable to shareholders.

The non-executive directors are paid fixed fees in accordance with a determination of the Board but within an aggregate limit fixed by the Shareholders. The ASX Listing Rules specify that the aggregate remuneration of non-executive directors shall be determined from time to time by a general meeting. At the 2007 AGM the members approved the aggregate remuneration for directors as \$250,000. This has remained the total aggregate remuneration throughout the 2007 to 2012 financial years. This aggregate remuneration is presently under review for subsequent financial years and any proposal will be brought to shareholders at the Company's annual general meeting.

As part of the process of board renewal and to attract new directors there are plans to issue securities to non-executive directors. These issues will require shareholder approval and will be detailed in this year's Notice of Meeting prior to the Company's annual general meeting.

The Company does not operate any schemes for retirement benefits for any non-executive Director other than the contributions that it makes to superannuation in accordance with statutory requirements.

The names and positions of each person who held the position of Director of Praemium Limited at any time during the financial year is provided within the Remuneration Report and information about each of those persons (including their qualifications and experience) is set out on pages 10-12.

Key Management Personnel

In addition to directors noted earlier, the details of the following executives are disclosed within this report as Key Management Personnel:

- Paul Gutteridge - Group Chief Financial Officer & Company Secretary;
- Christine Silcox - Group Chief Operating Officer;
- James Maramis - General Manager Sales (Australia);
- John Martin - UK Managing Director;
- William Brewis - UK Head of Legal & Compliance

The remuneration of Key Management Personnel, including Executive Directors of the Consolidated Entity, comprises:

- Fixed remuneration;
- Variable remuneration: short-term incentives; and
- Variable remuneration: long-term incentives.

Fixed Remuneration

Total fixed remuneration comprises base salary, any relevant allowances and statutory superannuation guarantee contributions. Fixed remuneration is set with reference to market data, reflecting the scope of the role, skills, qualifications and experience of the relevant executive and the performance of the employee in the role. Remuneration is reviewed annually, with recommendations made to the Remuneration Committee. Annual reviews include using market surveys as benchmarks to ensure competitive remuneration is set to reflect the market for comparable roles.

Short Term Incentives

A short-term incentive (STI) is currently only applicable to the CEO. Achievement of this annual STI is directly linked to the performance of the Group against the Board's budgets and plans. Unless Board-set budgets are achieved, no bonus payment will be made. Over-achievement of budgets will result in an increase to the amount of the bonus payable, subject to capped levels. At the discretion of the Board the STI may be paid in cash or by the issue of securities.

Long Term Incentives

Long-term incentives (LTI) are based on participation within Praemium's Directors & Employee Benefits Plan. LTI incentives, based on equity remuneration (being either the issue of securities, issue of performance rights or issue of options), are made in accordance with thresholds set out in this plan. By using the Group's Directors & Employees Benefits Plan to offer shares and options to employees, the interests of employees are aligned with shareholder wealth. A copy of the plan can be found on the Company's website.

LTI Measures - CEO

The CEO's employment contract provides a combination of long-term incentives, namely performance rights and options. The vesting of performance rights are directly linked to achieving targeted EBIT per share as set by the Board. Assessment of performance targets commences in the 2013 financial year for a period of 3 years. Provided targets are achieved, performance rights are weighted 50% in year one, 25% in year two and 25% in year three. No entitlements will be issued if baseline targets are not met.

Options granted are valid until August 2016. The exercise price for the options granted to Mr Ohanessian represents a substantial premium to the share price at the time of issue. The options have been granted on terms that provide the exercise price increases over the time that the options are vested and capable of exercise. This was designed to further align the interests of shareholders with that of the CEO.

LTI Measures - Australia

In 2012 a number of key changes were made to the measurement of long-term incentives. Rules for executives or key staff contributors to achieve entitlements (currently the issue of performance rights) under the Praemium Directors & Employee Benefits Plan were tightened, such that:

- Vesting hurdles are based on group profitability (EBIT) targets set by the Board;
- Entitlements issued are based on individual annual performance;
- Entitlements vest over 3 years; and
- Entitlements expire upon cessation of employment.

The test of group financial performance targets is absolute and therefore 100% of entitlements are either achieved or not achieved. An individual's annual performance is based on rating measures, applied consistently across the Company. The Board, on the recommendations of the CEO and the Remuneration Committee, considers the individual performance of the executives and their contributions to the Company's performance.

Provided LTI measures are met, firstly for Company financial performance and then for individual performance, entitlements then vest over 3 years based on 30% in year one, 30% in year two and 40% in year three.

LTI Measures - UK

Key performance targets for the UK business were set and agreed with the UK Board during FY2010. EMI Options (being the equivalent of performance rights under UK regulations) are subject to achievement of milestones and upon achievement are capable of conversion on exercise to fully paid ordinary shares in the capital of the company. The first milestone (achievement of £250m funds on platform) was achieved in April 2011.

The remainder of the EMI options will, subject to vesting conditions, vest (and accordingly be capable of conversion to ordinary shares) on achievement of milestones. Vesting conditions include continuity of employment and time thresholds. Vesting milestones are the date on which the UK subsidiary group achieves a financial quarter of profitability or positive cash flow, and when the value of client assets (investments and cash) recorded on Praemium UK's *dps*, *dps* Select, SMARTfund and offshore services are first capable of generating an annualised positive cash flow for Praemium UK. In respect to future performance criteria, which relate to the extent to which the UK group is either cash-flow positive or sustainably profitable, the Board intends to assess the achievement of milestones by reference to audited reports.

Any unvested EMI options, or vested but unexercised options, will expire on 1 December 2020. Further information of outstanding rights under this plan is detailed at note 21 of the financial statements.

LTI's – Subsequent to Reporting Date

Since the end of the financial year the Board has not issued any shares or performance rights.

Executive Remuneration policies and contracts

All Group Executives, including Executive Directors, are employed under employment contracts. Those contracts do not have a fixed term and are terminable on between one and nine months' notice (as set out below) by the executive or by the Company or, in the event that the Executive materially breaches the contract of employment in a way that involves dishonesty, fraud, a breach of any law affecting the company or a breach of certain of the Group's policies, the executive may be summarily dismissed.

To the extent that elements of the remuneration of key executives consists of securities in the Company, the Board, in considering whether to grant those securities and negotiating the terms of remuneration with the key executive, requires the key executive to obtain their own advice in respect to their exposure to risk in relation to the securities and relies on the undertakings of the key executives that they have obtained such advice prior to accepting the offer of securities as the method of enforcing that policy. No securities were issued to new employees as an incentive or sign on bonus during the 2011 financial year.

The Company may elect, on the giving or receipt of notice from any executive, to pay out the balance of the term with or without requiring the executive to 'go on garden leave'

for the remaining term. The notice periods and amounts payable in lieu of notice for each of the key members of the Group Executive required to be disclosed are:

Mr Michael Ohanessian, CEO, is currently employed pursuant to an on-going contract. Mr Ohanessian's maximum entitlement on termination in lieu of notice would be equal to the value of 9 months total employment package (TEP).

Mr Paul Gutteridge, Group Chief Financial Officer & Company Secretary, Ms Chris Silcox, Executive Director Praemium Australia Pty Ltd and Group Chief Operating Officer and Mr James Maramis, Executive Director Praemium Australia Pty Ltd and General Manager Sales are all employed on an on-going basis. Each has a maximum entitlement on termination in lieu of notice equal to the value of 3 months TEP.

Messrs John Martin and William Brewis, each Executive Directors of the Group's UK subsidiaries, are employed on an on-going basis subject to the terms of their agreements. Their respective entitlements on termination in lieu of notice would be 3 months TEP.

Directors' Remuneration

2012 Directors' Remuneration

The following table shows remuneration paid to persons who were directors during the 2012 Financial Year.

Director	Short Term Employee Benefits			Share Based Payments		Post Employment Benefits		Total	Performance related %
	Salary, fees & Commissions	Termination ¹	Non-Cash Benefits	Bonus by way of Cash ²	Performance Rights ³	Super-annuation	Long Service Leave		
Mr Bruce Parncutt	57,081	-	-	-	-	5,137	-	62,218	0%
Mr Michael Ohanessian	359,488	-	-	150,000	88,938	20,833	-	619,260	39%
Mr Robert Edgley	46,289	-	-	-	-	4,166	-	50,455	0%
Mr Peter Mahler	24,499	-	-	-	-	2,205	-	26,704	0%
Dr Don Stammer*	36,141	-	-	-	-	3,189	-	39,330	0%
Mr John Bryson*	41,284	-	-	-	-	3,716	-	45,000	0%
Mr Arthur Naoumidis*	46,207	326,354	2,618	-	-	9,566	-	384,745	0%
Ms Cathryn Nolan*	81,910	254,783	-	-	3,229	11,831	-	351,754	0%

¹ Termination comprises payments for notice in lieu and employee entitlements (annual leave and long service leave, where applicable).

² Bonus by way of cash relates to achievement of the CEO's short-term incentive, due to FY12's annual result exceeding target by 43%. This amount has been accrued in FY12's financial results, but not yet paid at the date of the report.

³ Performance rights relates to entitlements under the Praemium Directors & Employee Benefits Plan, with amounts recognised over the life of the vesting period in accordance with AASB 2: Share Based Payments.

* Denotes directors no longer serving. Dr Donald Stammer resigned 20 March 2012 and Mr John Bryson resigned 28 June 2012. Executive directors Mr Arthur Naoumidis resigned 8 August 2011 and Ms Cathryn Nolan resigned 18 August 2011.

2011 Directors' Remuneration

For comparative purposes, the following table shows the remuneration paid to those persons who were directors during the 2011 Financial Year.

Director	Short-term Employee Benefits			Share Based Payments		Post Employment Benefits		Total	Performance related %
	Salary, fees & Commissions	Termination	Non-Cash Benefits	Bonus by way of Shares	Performance Rights	Super-annuation	Long Service Leave		
Dr Don Stammer	64,220	-	-	-	-	5,780	-	70,000	0%
Mr Robert Edgley	41,284	-	-	-	-	3,716	-	45,000	0%
Mr John Bryson	41,284	-	-	-	-	3,716	-	45,000	0%
Mr Arthur Naoumidis	481,547	-	14,681	-	-	15,199	33,770	545,197	0%
Ms Cathryn Nolan	326,745	-	-	36,400	16,404	26,799	5,816	412,163	13%

Executive Remuneration

2012 Executive Remuneration

The following table shows the remuneration paid to the most senior executives during the 2012 Financial Year.

Executive	Short-term Employee Benefits			Share Based Payments		Post Employment Benefits		Total	Performance related %
	Salary, fees & Commissions	Bonus by way of Cash	Non-Cash Benefits	Bonus by way of Shares	Performance Rights	Super-annuation	Long Service Leave		
Mr John Martin	241,010	-	-	33,600	59,574	21,691	-	355,875	26%
Mr William Brewis	241,010	-	-	-	26,688	21,691	-	289,389	9%
Mr Paul Gutteridge	211,271	-	-	-	25,565	16,791	538	254,165	10%
Ms Christine Silcox	168,987	-	-	-	8,234	15,209	6,069	198,499	4%
Mr James Maramis	163,761	-	-	-	8,234	14,603	6,977	193,575	4%

* Mr Martin and Mr Brewis are employees of the UK subsidiary group. The exchange rate of 0.6535 was used for the purpose of this table.

2011 Executive Remuneration

The following table shows the remuneration paid to the most senior executives during the 2011 Financial Year.

Executive	Short-term Employee Benefits			Share Based Payments		Post Employment Benefits		Total	Performance related %
	Salary, fees & Commissions	Bonus by way of Cash	Non-Cash Benefits	Bonus by way of Shares	Performance Rights	Super-annuation	Long Service Leave		
Mr John Martin	251,316	-	1,876	-	97,893	21,541	-	372,626	26%
Mr Gary Wilson	251,316	-	1,876	-	97,893	21,541	-	372,626	26%
Ms Christine Silcox	166,858	-	-	-	28,483	13,073	14,284	222,697	13%
Mr Warren Gibson	152,819	-	-	-	28,483	13,695	11,771	206,768	14%
Mr Steven Stamboultgis	167,635	-	-	-	-	14,290	-	181,925	0%
Mr James Maramis	158,588	-	-	-	28,483	14,214	3,162	204,447	14%

* Mr Martin and Mr Wilson were employees of the UK subsidiary group during the financial year. The exchange rate of 0.6267 was used for the purpose of this table. Please note that differences between salaries paid to UK staff in 2011 and 2012 are impacted by exchange rate differences.

LTI Allocations to Key Management Personnel

The following tables detail the movement during the reporting period in the fair value of options or performance rights over issued ordinary shares in Praemium held directly, indirectly or beneficially by Key Management Personnel:

Option Plans

	Expiry date	Exercise price	Granted during the year	Granted during the year	Exercised during the year	Forfeited / Lapsed during the year	Total Fair Value in Year	Exercisable Period options Weighted over
			Number	\$	\$	\$	\$	
Michael Ohanessian	9-Aug-16	\$0.15	1,000,000	68,007	-	-	68,007	3 years to Aug-16

Performance Rights

	Expiry date	Granted during the year	Granted during the year	Exercised during the year	Forfeited / Lapsed during the year	Total Fair Value in Year	Exercisable at end of the year
		Number	\$	\$	\$	\$	Period
Michael Ohanessian	30-Sep-15	5,000,000	500,000	-	-	500,000	3 years to Sep-15
Paul Gutteridge	30-Sep-14	500,000	50,000	-	-	50,000	3 years to Sep-14-
Christine Silcox	31-Oct-12	-	-	12,500	-	12,500	Oct-12
James Maramis	31-Oct-12	-	-	12,500	-	12,500	Oct-12
Cathryn Nolan	12-Oct-10	-	-	-	(25,000)	(25,000)	-
John Martin	23-Dec-10	-	-	-	-	-	Milestone
William Brewis	23-Dec-10	-	-	-	-	-	Milestone

Since performance rights are issued at zero exercise price their minimum value is nil, on the basis they may not vest.

ASX Listed Company

As at the date of this report, the Company's securities are not quoted on any stock exchange other than ASX. There is not currently any on-market buy back in progress.

Unquoted Securities

The only unquoted securities in the capital of the Company currently on issue are EMI options and performance rights referred to above. All unquoted securities were issued or acquired under an employee incentive scheme.

Use of Cash and assets readily convertible to cash since admission to ASX Official List

In accordance with Listing Rule 4.10.19 the Company confirms that the Group has been utilising the cash and assets in a form readily convertible to cash that it held at the time of its admission to the Official List of ASX since its admission to the end of the reporting period (being 30 June 2006) in a way that is consistent with its business objectives.

Corporate Governance

A corporate governance statement is set out on pages 22 -24 of this document.

Environmental Issues

The Group's operations are not presently subject to significant environmental regulations under the law of the Commonwealth or State.

Proceedings on behalf of the Consolidated Entity

No person has applied for leave of Court to bring proceedings on behalf of the consolidated entity. The Company was not a party to any such proceedings during the year.

Non-Audit Services / Auditor's Independence Declaration

A copy of the Auditor's Independence declaration in relation to the audit for the financial year is provided with this report. The auditor of the Australian and UK subsidiary entities is Grant Thornton. Non-audit services of approximately \$135,000 have been provided by the Group's Parent Entity audit firm for internal controls review and income tax compliance services and similarly approximately \$10,000 have been provided by the Group's subsidiary's audit firm for UK compliance services. The Directors are satisfied that the provision of non-audit services is compatible with the general standard of independence for auditors, and that the nature of non-audit services means that auditor independence was not compromised.

Signed in accordance with a resolution of Directors.



Bruce Parncutt
Chairman
23 August 2012

Directors' Declaration

The directors of the company declare that:

1. The financial statements and notes, as set out on pages 25 to 59, are in accordance with the Corporations Act 2001 and:
 - a. Comply with Accounting Standards and the Corporations Regulations 2001; and
 - b. Give a true and fair view of the financial position as at 30 June 2012 and of the performance for the year ended on that date of the consolidated entity;
2. The Chief Executive Officer and Chief Financial Officer have each declared that:
 - a. The financial records of the company for the financial year have been properly maintained in accordance with section 286 of the Corporations Act 2001;
 - b. The financial statements and notes for the financial year comply with the Accounting Standards; and
 - c. The financial statements and notes for the financial year give a true and fair view;
3. In the directors' opinion there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Board of Directors.



Bruce Parncutt
Chairman
23 August 2012

Praemium FY2012 Corporate Governance Statement

The policies and practices of the company are in accordance with the ASX Corporate Governance Council's "Corporate Governance Principles and Recommendations (2nd Edition)" (ASX Guidelines) unless otherwise stated. The Company has provided a comprehensive statement of its approach to corporate governance in each Annual Report since 2006. A copy of the Company's annual reports since ASX listing remains available on the Company's or the ASX's websites.

In this section there are a number of references to documents being available on the Company's website. These documents are linked to this page: <http://www.Praemium.com.au/corporate-governance.html> or are otherwise available under the "Investor Relations" menu that appears at the top of each page.

The Corporate Governance Statement below has been set out using the same headings used in the ASX Guidelines.

Principle 1 – Lay solid foundations for management and oversight

Principle 1.1 recommends that entities should formalise functions reserved to the board and those delegated to senior executives, and should disclose those functions.

The Company has adopted a Board Charter, a copy of which it makes publicly available on its website, which outlines the principle functions of the Company's board (see Section 2). The Charter makes it clear that it is the role of the Board to govern the Company, and in particular to set policy direction, whilst it is the role of the executive to manage the Company's operations. Newly appointed directors are also advised of their responsibilities in their letter of appointment.

The Company's Board comprise a majority of non-executive directors. The Company has also appointed boards to oversee the operations of both its UK and Australian subsidiaries. These boards, which comprise a combination of non-executive and executive directors, liaise closely with the Board of the parent company. Mr Michael Ohanessian, Praemium's Group CEO is a member of each of the boards to ensure continued communications between the boards.

In accordance with Principle 1.2 Praemium's processes require that reviews be undertaken in respect to all staff at least annually for the purpose of reviewing activities and setting key focus areas, goals and targets for the coming year. All Senior Executives participated in the review process in the financial year in accordance with the process. Evaluation of the CEO's performance is a specific function under the Company's Board charter, which is also performed annually.

Principle 2 – Structure the Board to add value

Skills & Experience

Information about the skills and experience of the Company's Directors is set out on pages 10-12.

Directors' Independence (Principle 2.1)

The Company has a majority of non-executive directors. Using the criteria recommended by the ASX Guidelines, all four of the Company's non-executive directors (Mr Parncutt, Mr Edgley, Mr Mahler and Mr Loveday) are independent directors.

A number of directors are shareholders in the Company, however are not substantial shareholders. Any change in director's interest is disclosed in accordance with ASX Listing Rules. The Company's policies allow directors to seek independent advice at the Company's expense.

Independence of Chairman / Division of responsibility (Principle 2.2 – 2.3)

During the financial year the Chairman of the Board was a non-executive director. The former Chairman, Dr Stammer, was not classified as independent as he is a substantial shareholder. Mr Parncutt, who was appointed to the position of Chairman on 18 August 2011, is an independent non-executive Chairman.

The Chairman of each Board Committee is an independent non-executive director and there is a clear division of responsibility between the Chairman and the CEO.

Nomination Committee (Principle 2.4)

The Board does not have a separate nomination committee, recognising that selection and appointment of directors is ultimately the responsibility of the board as a whole. As a smaller company it considers, consistent with ASX Guidelines, that the same efficiencies may not be derived from a formal committee structure for this function. There is no documented procedure for the selection and appointment of new directors or the re-election of incumbent directors. The Board however seeks independent external advice in regard to its composition, when there is a required change (such as retirement or resignation).

Board Performance (Principle 2.5)

The Chairman conducts a review of Board Performance at least once each calendar year. The process involves the preparation of a questionnaire, to which directors and nominated senior executives respond anonymously, addressing matters relating to the conduct of meeting, the content of board papers and other matters relevant to Board performance. The results of the survey are collated and discussed by the Board meeting.

Term of appointment

All non-executive Directors have been elected to their positions for a term of not more than three years. At the next annual general meeting, as required by the Company's constitution or the listing rules, two of the remaining directors, excluding the Managing Director or any newly appointed directors, must retire from office by rotation.

Principle 3 – Provide ethical and responsible decision making

Code of Conduct (Principle 3.1)

The Company has a code of conduct which is published on its website. The Code is reviewed annually and updated where appropriate.

Diversity Policies (Principle 3.2 – 3.4)

For the FY12 financial year, Listing Rule amendments require the Company to report on matters relating to diversity, in particular board diversity. The Company has established a formal diversity policy, setting out a number of broad objectives:

- Introduce processes to ensure that diversity commitments are implemented appropriately,
- Implement processes to ensure transparency in respect of the selection of qualified employees, senior management and Board candidates with regard to the importance of Company's diversity profile and objectives,
- Ensure that recruitment strategies allow the Company to maximise its opportunities to target appropriately qualified employees who may have diversity attributes and encourage this by appointing selection committee members who either have diversity attributes or recognise the importance of such attributes,
- Develop clear criteria on behavioural expectations in relation to promoting diversity,
- Recognise and cater for employees that may have special requirements such as family member responsibilities, as part of the Company's overall diversity objectives,
- Consider whether the work environment is likely to attract individuals with diversity attributes, and
- Facilitate a corporate culture that embraces diversity and recognises employees at all levels have responsibilities outside of the workplace.

The Board has set the following measurable objectives for achieving gender diversity:

- Increase gender diversity on the board and senior executive positions and throughout the Group, aiming for at least 20% female representation on a fulltime equivalent basis on the board by 30 June 2015 and in executive management positions and the entire group by 30 June 2017;

- Promote flexible work practices to provide managers and staff with the tools to tailor flexible work options that suit both the business and the individual's personal requirements;
- Select new staff, development, promotion and remuneration to be based solely on performance and capability; and
- An annual assess is undertaken of gender diversity performances against objectives by the Remuneration Committee.

The Company's current performance against its diversity policy objectives is as follows:

Gender Representation (%)	30 June 2012		30 June 2011	
	Female	Male	Female	Male
Board	0%	100%	20%	80%
Senior executive	11%	89%	17%	83%
Group	30%	70%	27%	73%

Principle 4 – Safeguard integrity in financial reporting

Audit Committee (Principle 4.1 – 4.3)

The Company has established an Audit, Risk & Compliance Committee, which comprised during the year Mr John Bryson (Chairman), Mr Robert Edgley and Mr Peter Mahler. Following Mr Bryson's retirement on 28 June 2012, Mr Bruce Loveday was appointed as Committee Chairman. All members are independent and non-executive. Four Committee meetings were held during the financial year, and all meetings were attended by all Committee members and on two occasions by the Company's Auditor. The Audit, Risk & Compliance Committee has a formal charter, a copy of which is available on the Company's website. The Charter is reviewed annually and updated where appropriate.

Principle 5 – Make timely and balanced disclosure

The Company has established written policies designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at a senior executive level for that compliance. The key policy, Praemium's Continuous Market Disclosure Policy, and corresponding procedures are published on the Company's website.

Principle 6 – Respect the rights of shareholders

The Company has developed a policy for communicating with shareholders (set out on the Company's website), which has been followed during the Financial Year.

Where possible and practical, the Company communicates with Shareholders using its website and email. For this purpose it maintains a list of email addresses for shareholders and others interested in hearing from the Company and provides regular updates by email – in particular, links to market sensitive announcements and financial filings.

Praemium strongly encourages all shareholders to assist it to reduce costs and be mindful of the environment by opting to receive annual reports, notices of meeting, proxy forms and other formal communications electronically. Praemium's constitution allows for direct online voting.

Principle 7 – Recognise and manage risk

Risk Oversight (Principle 7.1)

The Company's Audit, Risk & Compliance Committee is responsible for internal control, risk oversight and risk management for the Company. During the year the Committee comprised Mr John Bryson (Chairman), Mr Robert Edgley and Mr Peter Mahler. Following Mr Bryson's retirement on 28 June 2012, Mr Bruce Loveday was appointed as Committee Chairman. All members are independent and non-executive. Four Committee meetings were held during the financial year and all meetings were attended by all Committee members. The Audit, Risk & Compliance Committee has a formal charter, a copy of which is available on the Company's website. The Charter is reviewed annually and updated where appropriate.

Risk Management & Internal Control (Principle 7.2)

The Audit, Risk & Compliance Committee has required management to design and implement a risk management and internal control system to identify and manage the Group's material business risks and to report to it on whether those risks are being managed effectively; management has been meeting this requirement and managing risks effectively.

The Group does not currently have any internal audit function. The Board considers that at the Company's current stage of growth and size there is no particular benefit to appointing internal audit and in the alternative seeks independent advice as it considers appropriate. In all other respects, the Company complies with the recommendations set out in Principle 7.

Risk Assurance (Principle 7.3)

The Board has received assurance from the CEO and CFO that in relation to financial reporting risks, the Company's risk management and internal compliance and control system is operating effectively in all material respects.

Principle 8 – Remunerate fairly and responsibly

Remuneration Committee (Principle 8.1 – 8.3)

The Company's approach to remuneration and this principle is set out in its Remuneration Report on page 14 and following. The Company's approach to the remuneration of non-executive directors is clearly distinguished from that of executive directors and senior executives.

The Company's Remuneration Committee during the financial year comprises Mr Robert Edgley (Chairman), Mr Bruce Parncutt and Mr John Bryson. The Committee met once during the financial year and all members of the Committee attended each meeting. A copy of the Remuneration Committee Charter is published on the Company's website.

Financial Report

Statement of Comprehensive Income

For the year ended 30 June 2012

		Consolidated	
	Note	2012 \$	2011 \$
Revenue	3	13,045,198	13,036,650
Other income	4	126,562	92,040
Employee costs		(10,137,829)	(12,525,589)
Depreciation, amortisation and impairments	5	(390,562)	(526,735)
Legal, professional, advertising and insurance expense		(2,154,604)	(2,932,921)
IT support		(692,358)	(732,309)
Commissions expense		(117,459)	(221,326)
Travel expenses		(400,963)	(365,434)
Occupancy costs		(848,866)	(873,816)
Net foreign exchange gains / (losses)		43,378	(71,552)
Telecommunication costs		(161,062)	(195,836)
Other expenses		(113,146)	(175,882)
Restructure costs		(1,359,816)	-
Impairment of available for sale financial assets	1(g)	(500,000)	-
Finance costs	5	(6,137)	-
Withholding tax not recoverable		(277,476)	(43,710)
Loss before income tax expense		(3,945,140)	(5,536,420)
Income tax expense	6	-	-
Loss attributable to members of the Group		(3,945,140)	(5,536,420)
Other comprehensive income			
Changes in the fair value of available-for-sale financial assets		16,351	18,819
Exchange differences on translation of foreign operations		27,110	(195,937)
Other comprehensive income/(loss) for the year, net of tax		43,461	(177,118)
Total comprehensive income/(loss) attributable to members of the Group		(3,901,679)	(5,713,538)
Basic earnings/(loss) per share (cents per share)		(1.4)	(2.5)
Diluted earnings/(loss) per share (cents per share)		(1.4)	(2.4)

The accompanying notes form part of these financial statements.

Statement of Financial Position

As at 30 June 2012

		Consolidated	
	Note	2012 \$	2011 \$
Current assets			
Cash and cash equivalents	7	4,713,179	4,643,958
Trade and other receivables	8	2,468,411	1,940,686
Total current assets		7,181,590	6,584,644
Non-current assets			
Other receivables	8	-	220,602
Other financial assets	9	1,212,951	1,740,817
Property, plant and equipment	10	661,831	982,439
Total non-current assets		1,874,782	2,943,858
TOTAL ASSETS		9,056,372	9,528,502
Current liabilities			
Trade and other payables	11	1,892,514	3,077,238
Provisions	12	490,469	846,779
Total current liabilities		2,382,983	3,924,017
Non-current liabilities			
Provisions	12	81,378	110,719
Total non-current liabilities		81,378	110,719
TOTAL LIABILITIES		2,464,361	4,034,736
NET ASSETS		6,592,011	5,493,766
EQUITY			
Share capital	13	55,522,531	50,498,731
Reserves	14	(849,825)	(825,392)
Accumulated losses		(48,080,695)	(44,179,573)
TOTAL EQUITY		6,592,011	5,493,766

The accompanying notes form part of these financial statements.

Statement of Changes in Equity

Period ending 30 June 2012

	Ordinary Shares \$	Accumulated Losses \$	Foreign Currency Translation Reserve \$	Option Reserve \$	Revaluation Reserve \$	Total \$
Equity as at beginning of period	50,498,731	(44,179,573)	(1,466,234)	635,912	4,930	5,493,766
Loss attributable to members of the parent entity	-	(3,945,140)	-	-	-	(3,945,140)
Other comprehensive income /(loss)	-	-	(27,110)	-	(16,351)	(43,461)
Total comprehensive income/(loss) for the year	-	(3,945,140)	(27,110)	-	(16,351)	(3,988,601)
Transactions with owners in their capacity as owners						
Issue of shares	4,835,750	-	-	-	-	4,835,750
Option expense	-	-	-	250,378	-	250,378
Exchange difference on option reserve	-	-	-	718	-	718
Transfer on exercise of options	188,050	-	-	(188,050)	-	-
Transfer on lapsing of options	-	44,018	-	(44,018)	-	-
	5,023,800	44,018	-	19,028	-	5,086,846
Equity as at 30 June 2012	55,522,531	(48,080,695)	(1,493,344)	654,940	(11,421)	6,592,011

Period ending 30 June 2011

	Ordinary Shares \$	Accumulated Losses \$	Foreign Currency Translation Reserve \$	Option Reserve \$	Revaluation Reserve \$	Total \$
Equity as at beginning of period	44,847,706	(38,756,738)	(1,270,297)	350,275	(13,889)	5,157,057
Loss attributable to members of the parent entity	-	(5,536,420)	-	-	-	(5,536,420)
Other comprehensive income /(loss)	-	-	(195,937)	-	18,819	(177,118)
Total comprehensive income/(loss) for the year	-	(5,536,420)	(195,937)	-	18,819	(5,713,538)
Transactions with owners in their capacity as owners						
Issue of shares	5,414,722	-	-	-	-	5,414,722
Option expense	-	-	-	642,919	-	642,919
Exchange difference on option reserve	-	-	-	(7,394)	-	(7,394)
Transfer on exercise of options	236,303	-	-	(236,303)	-	-
Transfer on lapsing of options	-	113,585	-	(113,585)	-	-
	5,651,025	113,585	-	285,637	-	6,050,247
Equity as at 30 June 2011	50,498,731	(44,179,573)	(1,466,234)	635,912	4,930	5,493,766

The accompanying notes form part of these financial statements.

Statement of Cash Flows

For the year ended 30 June 2012

		Consolidated	
	Note	2012 \$	2011 \$
Cash from operating activities:			
Receipts from customers		12,706,629	12,076,157
Payments to suppliers and employees		(15,904,479)	(18,077,750)
Restructure costs		(1,341,003)	-
Interest received		121,685	147,828
Borrowing Costs		(6,137)	-
Net cash (used by) /provided from operating activities	20	(4,423,305)	(5,853,765)
Cash flows from investing activities:			
Unit trust distributions received		23,161	16,288
Payments for property, plant and equipment		(62,031)	(226,508)
Acquisition of unit trust		-	(5,125)
Payments for loans to other entities		(202,502)	-
Net cash used in investing activities		(241,372)	(215,345)
Cash flows from financing activities:			
Proceeds from the issue of share capital		5,000,200	5,563,717
Share issue transaction costs		(231,450)	(275,165)
Net cash provided by financing activities		4,768,750	5,288,552
Net cash increase (decrease) in cash and cash equivalents		104,073	(780,558)
Cash and cash equivalents at beginning of year		4,643,958	5,614,270
Effect of exchange rates on cash holdings in foreign currencies		(34,852)	(189,754)
Cash and cash equivalents at end of year	7(a)	4,713,179	4,643,958

The accompanying notes form part of these financial statements.

Notes the Financial Statements

1. Notes to the Financial Statements

(a) General information

The financial report is a general-purpose financial report that covers the consolidated entity consisting of Praemium Limited and its subsidiaries. Praemium Limited is a listed public company, incorporated and domiciled in Australia. Separate financial statements for Praemium Limited as an individual entity are no longer presented as the consequence of a change to the Corporations Act 2001, however, limited financial information for Praemium Limited as an individual entity are included in Note 23.

The following is a summary of the material accounting policies adopted by the Group in the preparation of the financial report. The accounting policies have been consistently applied, unless otherwise stated.

(b) Basis of preparation

The financial report of Praemium Limited and controlled entities has been prepared in accordance with Australian Accounting Standards (including Australian Accounting Interpretations), other authoritative pronouncements of the Australian Accounting Standards Board and the Corporations Act 2001.

Australian Accounting Standards include International Financial Reporting Standards as adopted in Australia. Compliance with AIFRS ensures that the financial report complies with International Financial Reporting Standards (IFRS).

(i) Reporting basis and conventions

The financial report has been prepared on an accruals basis and is based on historical costs as modified by the revaluation of available for sale financial assets, financial assets and liabilities at fair value through profit or loss, certain classes of property, plant and equipment and investment property.

(c) Principles of consolidation

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Praemium Limited ("parent entity") as at 30 June 2012 and the results of all subsidiaries for the year then ended. Praemium Limited and its subsidiaries are referred to in this financial report as the "Group" or the "consolidated entity".

A subsidiary is any entity over which Praemium Limited has the power to control the financial and operating policies so as to obtain benefits from its activities.

All inter-company balances and transactions between entities in the Group, including any unrealised profits or losses, have been eliminated on consolidation. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with those policies adopted by the Group.

Subsidiaries are fully consolidated from the date which control is transferred to the Group. They are de-consolidated from the date control ceases.

The purchase method of accounting is used to account for all acquisitions of assets (including business combinations). Cost is measured as the fair value of the assets given, equity instruments issued or liabilities incurred or assumed at the date of exchange.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the Group's share of net assets of the subsidiary acquired, the difference is recognised directly in the statement of comprehensive income.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions.

(d) Segment reporting

From 1 July 2009, operating segments are identified and segment information disclosed on the basis of internal reports that are regularly provided to, or reviewed by, the Group's chief operating decision maker which, for the Group, is the board of directors. In this regard, such information is provided using different measures to those used in preparing the statement of comprehensive income and statement of financial position.

(e) Property, plant and equipment

Each class of property, plant and equipment is carried at cost or fair value less, where applicable, any accumulated depreciation and impairment losses.

(i) Plant and equipment

Plant and equipment is measured on the cost basis less depreciation and impairment losses.

The carrying amount of plant and equipment is reviewed annually by directors for indications of impairment. If any such indications exist, an impairment test is carried out, and any impairment losses on the assets recognised in the statement of comprehensive income. To ensure that costs are not recognised in the statement of financial position in excess of their recoverable amounts, the recoverable amount is assessed on the basis of the expected net cash flows that will be received from the assets employed and subsequent disposals discounted to their net present value.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the statement of comprehensive income during the financial period in which they are incurred.

Plant and equipment is measured initially at cost. Cost includes all directly attributable expenditure incurred including costs to get the asset ready for its use as intended by management. Costs include an estimate of any expenditure expected to be incurred at the end of the asset's useful life, including restoration, rehabilitation and decommissioning costs.

(ii) Depreciation

The depreciable amount of all fixed assets including capitalised lease assets is depreciated on a straight-line basis over their useful lives (commencing from the time the asset is ready for use). Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful lives of the improvements.

The depreciable amount is the carrying value of the asset less estimated residual amounts. The residual amount is based on what a similar asset of the expected condition of the asset at the end of its useful life could be sold for.

The depreciation rates used for each class of depreciable assets are:

Class of Fixed Asset	Depreciation Rate	Method
Plant, Furniture and equipment	10 - 20%	Straight-line
Computer equipment	20%	Straight-line

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These are included in the statement of comprehensive income. When revalued assets are sold, amounts included in the revaluation reserve relating to that asset are transferred back to the statement of comprehensive income as part of the profit or loss on disposal.

(f) Financial instruments

Financial assets and financial liabilities are recognised on the Group's statement of financial position when the Group becomes a party to the contractual provisions of the instrument.

(i) Trade receivables

Trade receivables are measured at initial recognition at fair value, and are subsequently measured at amortised cost using the effective interest rate method less provision for impairment. Appropriate allowances for estimated irrecoverable amounts are recognised in profit or loss when there is objective evidence that the asset is impaired. The allowance recognised is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition. Collectability of trade receivables is reviewed on an ongoing basis and debts which are known to be uncollectible are written off. Trade receivables are generally due for settlement within 30 days.

(ii) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, demand deposits and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

Financial assets and financial liabilities are recognised on the Group's statement of financial position when the Group becomes a party to the contractual provisions of the instrument.

(iii) Financial liabilities and equity

Financial liabilities and equity instruments issued by the Group are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. The accounting policies adopted for specific financial liabilities and equity instruments are set out below.

Financial liabilities are classified as either financial liabilities “at fair value through profit or loss” or other financial liabilities depending on the purpose for which the liability was acquired.

The Group’s financial liabilities include trade and other payables.

Financial liabilities are recognized when the Group becomes a party to the contractual agreements of the instrument. All interest-related charges and, if applicable, changes in an instrument’s fair value that are reported in profit or loss are included in the statement of comprehensive income line items “finance costs” or “finance income”.

(iv) Trade payables

Trade payables are initially measured at fair value, and are subsequently measured at amortised cost. These amounts are unsecured and are usually paid within 45 days of recognition.

(v) Equity instruments

Equity instruments issued by the Group are recorded at the proceeds received, net of direct issue costs.

(vi) Fair Value

The net fair value of financial assets and financial liabilities approximates their carrying amounts as disclosed in the statement of financial position and notes to the financial statements. Fair value is defined as the amount that could be exchanged for an asset between knowledgeable willing parties in an arm’s length transaction.

(vii) Available-for-sale financial assets

Available-for-sale financial assets, comprising principally units in unlisted registered schemes, are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included as non-current assets unless management intends to dispose of the investment within 12 months of reporting date.

Available-for-sale financial assets are initially recognised at fair value plus transaction costs and are subsequently measured at fair value. Changes in fair value are recognised directly in equity in an available-for-sale assets revaluation reserve.

When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments recognised in equity are included in the statement of comprehensive income as gains and losses.

The group assesses at each reporting date whether there is objective evidence that a financial asset is impaired. In the case of equity securities classified as available-for-sale, a significant or prolonged decline in the fair value of a security below its cost is considered in determining whether the security is impaired. If such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is removed from equity and recognised in the statement of comprehensive income. Impairment losses recognised in the statement of comprehensive income on equity instruments classified as available-for-sale are not reversed through the statement of comprehensive income.

(g) Impairment of non-financial assets

At each reporting date, the Group reviews the carrying values of its assets to determine whether there is any indication that those assets have been impaired. For assets where such an indication exists, the recoverable amount of the asset, being the higher of the asset’s fair value less costs to sell and value in use, is compared to the asset’s carrying value. Any excess of the asset’s carrying value over its recoverable amount is expensed to the statement of comprehensive income, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease to the extent that the revaluation reserve relates to that asset.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Where an impairment loss subsequently reverses, the carrying amount of the asset or cash-generating unit is increased to the revised recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised in prior years. A reversal of an impairment loss is recognised as income in the statement of comprehensive income, unless the relevant asset is carried at a revalued amount, in which case the reversal is recognised as a revaluation increase.

(h) Employee benefits

Provision is made for the Group’s liability for employee benefits arising from services rendered by employees to reporting date. Employee benefits that are expected to be settled within one year have been measured at the

amounts expected to be paid when the liability is settled, plus related on-costs. Employee benefits payable later than one year have been measured at the present value of the estimated future cash outflows to be made for those benefits.

(i) Equity-settled compensation

The Group operates a share-based compensation scheme.

Equity-settled share-based payments are measured at fair value at the date of grant. The fair value determined at the grant date is expensed on a straight-line basis over the vesting period, based on the Group's estimate of shares that will eventually vest.

Fair value is measured by use of a Black-Scholes model. The expected life used in the model has been adjusted, based on management's estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations.

(j) Provisions

Provisions are recognised when the Group has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result and that the outflow can be reliably measured.

(k) Income tax

The charge for current income-tax expense is based on the profit for the year adjusted for any non-assessable or disallowed items. It is calculated using the tax rates that have been enacted or are substantially enacted by reporting date.

Deferred tax assets and liabilities are recognised using the balance sheet liability method in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements, and on unused tax losses. No deferred tax assets or liabilities will be recognised from the initial recognition of an asset or liability excluding a business combination, which at the time of the transaction did not affect either accounting or taxable profit or loss.

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or liability is settled. Deferred tax is recognised in the statement of comprehensive income except where it relates to items that are recognised directly in equity, in which case the deferred tax is recognised directly in equity.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in controlled entities where the parent entity is able to control then timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

The directors have elected for those entities within the consolidated entity that are wholly-owned Australian resident entities to be taxed as a single entity from July 1 2005. The head entity within the tax-consolidated group for the purposes of tax consolidation is Praemium Ltd.

Praemium Limited and its wholly-owned Australian controlled entities have implemented the tax consolidation legislation. Praemium Limited and each of the entities within the tax consolidated group account for their own current and deferred tax amounts. These amounts are measured as if each entity in the group continues to be a stand-alone taxpayer in its own right.

In addition to its own current and deferred tax amounts, Praemium Limited also recognises the current tax liabilities (or assets) and the deferred tax assets arising from unused tax losses and unused tax credits assumed from controlled entities in the tax-consolidated group.

Entities within the tax-consolidated group have entered into a tax funding agreement with the head entity. Under the terms of this agreement, each of the wholly-owned entities within the tax consolidated group has agreed to fully compensate Praemium Limited for any current tax payable assumed and are compensated by Praemium Limited for any current tax receivable and deferred tax assets relating to unused tax losses or unused tax credits that are transferred to Praemium Limited under the tax consolidation legislation. The funding amounts are determined by reference to the amounts recognised in the wholly-owned entities' financial statements. Such amounts are reflected in amounts receivable from or payable to other entities in the tax-consolidated group.

Any difference between the amounts assumed and amounts receivable or payable under the tax funding agreement are recognised as a contribution to (or distribution from) wholly-owned tax consolidated entities.

(l) Leases

Leases of fixed assets where substantially all the risks and rewards incidental to the ownership of the asset, but not the legal ownership, that are transferred to entities in the Group are classified as finance leases.

Finance leases are capitalised at the inception of the lease by recording an asset and a liability at the lower of the amounts equal to the fair value of the leased property and the present value of the minimum lease payments, including any guaranteed residual values. Lease payments are allocated between the reduction of the lease liability and the lease interest expense.

The interest expense is recognised in the statement of comprehensive income so as to achieve a constant periodic rate of interest on the remaining balance of the liability outstanding.

Leased assets are depreciated on a straight-line basis over the shorter of the asset's useful life and the lease term.

Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are

charged to the statement of comprehensive income on a straight line basis over the lease term.

Lease incentives under operating leases are recognised as a liability and amortised on a straight- line basis over the lease term.

(m) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Revenue from the rendering of services is recognised in the accounting period in which the services are rendered. When revenue is received but services not rendered at balance date the receipt is recorded in the statement of financial position as unearned income.

Interest revenue is recognised on a proportional basis using the effective interest rate in relation to the outstanding financial asset.

Dividends are recognised as revenue when the right to receive payment is established.

All revenue is stated net of the amount of goods and services tax (GST), returns, trade allowances and other duties and taxes paid.

Revenue in the form of grant income is recognised when earned and receivable.

(n) Foreign currency translation

(i) Functional and presentation currency

The functional currency of each of the Group's entities is identified as the currency of the primary economic environment in which that entity operates, and is used in the recognition of transactions and balances for that entity. Where the functional currency of a group entity is different from the parent's functional currency, the entity has been translated for consolidation using the method described below for 'Group entities'.

The United Kingdom subsidiaries' functional currency is GBP which is translated to the presentation currency at the end of each reporting period.

The consolidated financial statements are presented in Australian dollars which is the Parent's functional and presentation currency.

(ii) Group entities

The financial results and position of all Group entities whose functional currency is different from the group's presentation currency are translated as follows:

- Assets and liabilities are translated at year-end exchange rates prevailing at reporting date;
- Income and expenses are translated at the rate on the date of the transaction, or an average exchange rate

for the period (if the average approximates the actual rate for that period); and

- Retained earnings are translated at the respective historical exchange rate.

Exchange differences arising on translation of Group entities from a different functional currency are recognised directly in a foreign currency translation reserve in the statement of financial position. These differences are recognised in the statement of comprehensive income in the period in which the entity is disposed. Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

(iii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the date of the transaction. Foreign currency monetary items are translated at the spot rate on reporting date. Non-monetary items measured at historical cost are not retranslated. Non-monetary items measured at fair value are reported at the exchange rate at the date when fair values were determined.

Exchange differences arising on the translation of monetary items are recognised in the statement of comprehensive income.

Exchange differences on translation of non-monetary items are recognised directly in equity.

(o) Contributed equity

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds. Incremental costs directly attributable to the issue of new shares or options for the acquisition of a business are not included in the cost of the acquisition as part of the purchase consideration.

(p) Dividends

Provision is made for the amount of any dividend declared, being appropriately authorised and no longer at the discretion of the entity, on or before the end of the financial year but not distributed at reporting date.

(q) Earnings per share

(i) Basic earnings per share

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Group, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year.

(ii) Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

(r) Goods and services tax (GST)

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST), except:

1. Where the amount of the GST incurred is not recoverable from the taxation authority, it is recognised as part of the cost of acquisition of an asset or as part of an item of expense; or
2. For receivable and payables which are recognised inclusive of GST.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables.

Cash flows are included in the statement of cash flows on a gross basis. The GST component of cash flows arising from investing and financing activities which is recoverable from, or payable to, the taxation authority is classified as operating cash flows.

(s) Comparatives

Where necessary, comparative figures have been adjusted to conform to changes in presentation in the current year.

(t) Going concern

The financial report has been prepared on a going-concern basis. This contemplates continuity of normal business activities and the realisation of assets and settlement of liabilities in the ordinary course of business even though the Company has experienced operating losses of \$3,945,140 during the financial year ended 30 June 2012 (June 2011 \$5,536,420). Cash reserves were \$4,713,179 at 30 June 2012.

The Directors are of the opinion that the existing cash reserves will provide the Company with adequate funds to ensure its continued viability and operate as a going concern. As a result of the organisational restructure and cost reduction program in FY2012, the Company has stabilised its cash position, such that it reported a positive operating cash flow in the last quarter of the FY2012. The Company is actively enhancing its profile in the Australian and UK markets. Moreover, internal control processes in place will facilitate close monitoring of expenditure, and the Board is confident that it will be able to manage its cash resources appropriately without negatively impacting upon product development or revenue opportunities.

At this time, the Directors are of the opinion that no asset is likely to be realised for an amount less than the amount at

which it is recognised in the financial report as at 30 June 2012. Accordingly, no adjustments have been made to the financial report relating to the recoverability and classification of the asset carrying amounts and classification of liabilities that might be necessary.

(u) Accounting standards and interpretations issued but not yet effective and not yet adopted

The following new accounting standards, amendments to standards and interpretations have been issued, but are not mandatory as at 30 June 2012. They may impact the Consolidated Entity in the period of initial application. They are available for early adoption, but have not been applied in preparing this financial report:

AASB 9 Financial Instruments

Introduces new requirements for the classification and measurement of financial assets and liabilities, with a single approach to determine whether a financial asset is measured at amortised cost or fair value. Impairment testing may only be limited to assets held at amortised cost only. With this standard effective for periods ending on 31 December 2015 the Group has not yet made an assessment of the impact of these amendments.

AASB 10 Consolidated Financial Statements

Establishes a revised control model that will apply to all investees to determine the scope of consolidation. With this standard effective for periods ending on 31 December 2013 the Group has not yet made an assessment of the impact of these amendments.

AASB 12 Disclosure of Interests in Other Entities

Combines the disclosure requirements for subsidiaries, joint arrangements, associates and structured entities within a comprehensive disclosure standard. With this standard effective for periods ending on 31 December 2013 the Group has not yet made an assessment of the impact of these amendments.

AASB 13 Fair Value Measurement

Establishes a single source of guidance for determining the fair value of assets and liabilities. With this standard effective for periods ending on 31 December 2013 the Group has not yet made an assessment of the impact of these amendments.

AASB 2011-9 Presentation of Other Comprehensive Income

Separation and classification of components within other comprehensive income between reclassification adjustments to profit and loss and those that will not be reclassified. With this standard effective for periods ending on 31 December 2013 the Group has not yet made an assessment of the impact of these amendments.

(v) Critical accounting estimates and judgments

The directors evaluate estimates and judgments incorporated into the financial report based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the group.

Impairment of available-for-sale financial assets

In the 2011 and 2012 financial reports, the Group made judgments about the impairment of its available-for-sale financial assets. The Group follows the guidance of AASB 139 Financial Instruments: Recognition and Measurement in determining when an available-for-sale financial asset is impaired. This determination requires significant judgment. In making this judgment, the Group evaluates, among other factors, the duration and extent to which the fair value of an investment is less than its cost and the financial health of and near-term business outlook for the investee, including factors such as industry and sector performance, changes in technology, and operational and financing cash flows.

In the 2012 financial year, an impairment loss of \$500,000 was recognised. In accordance with accounting standards this amount was recognised within the profit and loss.

Share-based payment transactions

The consolidated entity measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined using either the Binomial or Black-Scholes model taking into account the terms and conditions upon which the instruments were granted. The accounting estimates and assumptions relating to equity-settled share-based payments would have no impact on the carrying amounts of assets and liabilities within the next annual reporting period but may impact profit or loss and equity.

Fair value and hierarchy of financial instruments

The consolidated entity is required to classify financial instruments, measured at fair value, using a three level hierarchy, being: Level 1: Quoted prices (unadjusted) in active markets for identical assets and liabilities; Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices); and Level 3: Inputs for the asset and liability that are not based on observable market data (unobservable inputs). An instrument is required to be classified in its entirety on the basis of the lowest level of valuation inputs that is significant to fair value. Considerable judgement is required to determine what is significant to fair value and therefore the category in which the financial instrument is placed can be subjective.

The fair value of financial instruments classified as Level 3 is determined by the use of valuation models. These include discounted cash flow analysis or the use of observable inputs that require significant adjustments based on unobservable inputs.

Provision for impairment of receivables

The provision for impairment of receivables assessment requires a degree of estimation and judgement. The level of provision is assessed by taking into account the recent sales experience, the aging of receivables, historical collection rates and specific knowledge of the individual debtor's financial position.

Estimation of useful lives of assets

The consolidated entity determines the estimated useful lives and related depreciation and amortization charges for its property, plant and equipment and definitive life intangible assets. The useful lives could change significantly as a result of technical innovations or some other event. The depreciation and amortization charge will increase where the useful lives are less than previously estimated lives, or technically obsolete or non-strategic assets that have been abandoned or sold will be written off or written down.

(w) Business combinations

The acquisition method of accounting is used to account for business combinations regardless of whether equity instruments or other assets are acquired.

The consideration transferred is the sum of the acquisition-date fair values of the assets transferred, equity instruments issued or liabilities incurred by the acquirer to former owners of the acquire and the amount of any non-controlling interest in the acquire. For each business combination, the non-controlling interest in the acquiree is measured at either fair value or at the proportionate share of the acquiree's identifiable net assets. All acquisition costs are expensed as incurred to the profit or loss.

On the acquisition of the business, the consolidated entity assesses the financial assets acquired and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic conditions, the consolidated entity's operating or accounting policies and other pertinent conditions in the existence at the acquisition-date.

Where the business combination is achieved in stages, the consolidated entity remeasures its previously held equity interest in the acquiree at the acquisition-date fair value and the difference between the fair value and the previous carrying amount is recognized in the profit or loss.

Contingent consideration to be transferred by the acquirer is recognized at the acquisition-date fair value. Subsequent changes in the fair value of contingent consideration classified as an asset or liability is recognized in profit or loss. Contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity.

The difference between the acquisition-date fair value of assets acquired, liabilities assumed and any non-controlling interest in the acquiree and the fair value of the consideration transferred and the fair value of any pre-existing investment in the acquire is recognized as goodwill. If the consideration transferred and the pre-existing fair value is less than the fair value of the identifiable net assets acquired, being a bargain purchase to the acquirer, the difference is recognized as a gain directly in profit or loss by the acquirer on the acquisition-date, but only after a

reassessment of the identification and measurement of the net assets acquired, the non-controlling interest in the acquiree, if any, the consideration transferred and the acquirer's previously held equity interest in the acquirer.

Business combinations are initially accounted for on a provisional basis. The acquirer retrospectively adjusts the

provisional amounts recognized and also recognizes additional assets and liabilities during the period, based on new information obtained about the facts and circumstances that existed at the acquisition-date. The measurement period ends on either the earlier of (i) 12 months from the date of acquisition or (ii) when the acquirer receives all the information possible to determine fair value.

2. Financial Risk Management

The Praemium Group is exposed to risks that arise from the use of its financial instruments. This note describes the Group's objectives, policies and processes for managing those risks and the methods used to measure them.

There have been no substantive changes in the Group's exposure to financial instrument risks, its objectives, policies and processes for managing those risks or the methods used to measure them from previous periods unless otherwise stated in this note.

The Group's Audit, Risk & Compliance Committee oversees how management monitors compliance with the Group's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Group.

Principal financial instruments

The principal financial instruments used by the Group, from which financial instrument risk arises, are as follows:

- Trade receivables
- Cash at bank and on deposit
- Trade and other payables
- Intercompany receivables
- Investments in unlisted unit trusts

General objectives, policies and processes

The Board has overall responsibility for the determination of the Group's risk management objectives and policies and, whilst retaining ultimate responsibility for them, has delegated the authority for designing and operating processes that ensure the effective implementation of the objectives and policies to the Group's finance function. The Board receives monthly reports from the Chief Financial Officer through which it reviews the effectiveness of the processes put in place and the appropriateness of the objectives and policies it sets.

The overall objective of the Board is to set policies that seek to reduce risk as far as possible without unduly

affecting the Group's competitiveness and flexibility. Further details regarding these policies are set out below.

Credit risk

Credit risk arises from the Group's trade receivables, other receivables, receivables from subsidiaries and cash at bank and on deposit. The maximum amount of credit risk is the statement of financial position carrying values.

Trade receivables

Clients of the Group range from financial advisors and brokers to accountants. In the majority of new client 'sign-ons', clients are required to prepay their first years' service before they can start utilising the Group's products. The reduction of risk concentration is due principally to the number of independent operators who have entrenched the Praemium system within their everyday business process.

Clients who subsequently fail to meet their credit terms are at risk of having their services "switched off".

The Board receives monthly reports summarising trade receivables balances, and aging profiles of the total trade receivables. There have been no changes from previous periods.

Liquidity risk

Liquidity risk arises from the Group's management of working capital. It is the risk that the Group will encounter difficulty in meeting its financial obligations as they fall due.

The Group's policy is to ensure that it will always have sufficient cash to allow it to meet its liabilities when they become due. To achieve this aim, it seeks to maintain cash balances to meet expected requirements for a period of at least three months. The Group also seeks to reduce liquidity risk by ensuring that its cash deposits are earning interest at the best rates.

At balance date, these reports indicate that the Group is expected to have sufficient liquid resources to meet its obligations under all reasonably expected circumstances. There have been no changes from previous periods.

As at 30 June 2012, financial liabilities have contractual maturities, which are summarised below:

2012	Current		Non-current	
	Within 6 months	6 to 12 months	1 to 5 years	Later than 5 years
	\$	\$	\$	\$
Trade payables	427,712	-	-	-
Accrued expenses	177,446	-	-	-
Other payables	925,636	-	-	-
Total	1,530,794	-	-	-

2011	Current		Non-current	
	Within 6 months	6 to 12 months	1 to 5 years	Later than 5 years
	\$	\$	\$	\$
Trade payables	710,481	-	-	-
Accrued expenses	764,586	-	-	-
Other payables	733,893	-	-	-
Total	2,208,960	-	-	-

The contractual amounts of financial liabilities in the tables above are equal to their carrying values. Differences from the statement of financial position amounts reflect the exclusion of statutory charges from the definition of financial liabilities.

Market risk

Market risk arises from the Group's use of financial instruments, including interest bearing and foreign currency financial deposits and investment in unlisted trusts. It is the risk that the fair value or future cash flows of the financial instruments will fluctuate as a result of changes in interest rates (interest rate risk), foreign exchange rates (currency risk) or other market factors (other price risk).

Interest rate risk

The Group invests surplus cash in major Australian and UK banks and in doing so is exposed to fluctuations in interest rates that are inherent in such a market. The company and Group have no borrowings.

The Group's interest rate risk arises from:

- Bank balances which give rise to interest at floating rates; and
- Cash on term deposit, which are at floating rates.

The amounts subject to cash flow interest rate risk are in the statement of financial position carrying amounts of these items.

The Group's policy is to minimise interest rate cash flow risk exposures on surplus funds by ensuring deposits attract the best available rate. There have been no changes from previous periods.

Cash flow interest rate sensitivity

The following table illustrates the sensitivity of the net result for the year and equity to a reasonably possible change in interest rates of +/-100 basis points (2011: +/-100 basis points), with effect from the beginning of the year. These changes are considered reasonably possible based on observation of current market conditions.

The calculations are based on the Group's financial instruments held at each reporting date.

	2012		2011	
	+100 basis points	-100 basis points	+100 basis points	-100 basis points
Cash and cash equivalents	47,132	(47,132)	46,440	(46,440)
Net result	47,132	(47,132)	46,440	(46,440)

Currency risk

The Group's policy is, where possible, to allow group entities to settle liabilities denominated in their functional currency with the cash generated from their own operations in that currency. Where group entities have liabilities denominated in a currency (and have insufficient reserves of that currency to settle them), cash already denominated in that currency will, where possible, be transferred from elsewhere within the Group.

In order to monitor the continuing effectiveness of this policy, the Board receives a monthly forecast, analysed by the geographical region's cash balances, commitments and receipts, converted to the Group's main functional currency, Australian Dollars (AUD).

The Group is exposed to currency risk on cash at bank and on deposit in British Pound (GBP) to fund its UK operations. The Group is also exposed to currency risk on sterling denominated loans to its UK entities. There have been no changes from previous periods.

Exposure to currency risk

Foreign currency denominated financial assets and liabilities, translated into Australian Dollars at the closing rate, are as follows:

Consolidated		
Nominal amounts	2012 GBP	2011 GBP
Cash at bank and on term deposit	797,032	77,820

Currency risk sensitivity analysis

The following table illustrates the sensitivity of the net result for the year and equity in regards to the Group's financial assets and financial liabilities and the GBP and AUD exchange rate.

It assumes a +/- 5% change in the AUD/GBP sterling exchange rate for the year ended at 30 June 2012 (2011: 5%). This percentage has been determined based on average market volatility in exchange rates in the previous 12 months.

The sensitivity analysis is based on the Group's foreign currency financial instruments held at each reporting date. This assumes that other variables, in particular interest rates, remain constant. The analysis is performed on the same basis for 2012 and 2011.

If the Australian dollar had strengthened against the GBP sterling by 5 % (2011: 5%) then this would have had the following impact on profit and other equity:

Consolidated		
	2012 \$	2011 \$
Profit after tax	(37,954)	(3,706)
Other equity	-	-

If the Australian dollar had weakened against the GBP by 5% (2011: 5%) then this would have had the following impact on profit and other equity:

Consolidated		
	2012 \$	2011 \$
Profit after tax	41,949	4,096
Other equity	-	-

Exposures to foreign exchange rates vary during the year depending on the volume of overseas transactions. Nonetheless, the analysis above is considered to be representative of the Group's exposure to foreign currency risk.

Other price risk

The Group is exposed to other price risk on its investments in listed unit trusts.

These investments are classified on the statement of financial position as available for sale financial assets. As these investments are carried at fair value with changes in fair value recognised in equity, all changes in market conditions, except for impairment, will directly affect equity, but have no effect on profit.

The investments are in a number of different unit trusts with a dominant emphasis on balanced funds that have exposures to a wide range of asset classes and geographical locations. The assets and liabilities within these unit trusts indirectly expose the company and Group to interest rate risk, currency risk and equity price risks. It is not considered practicable to 'look through' the unit trusts to analyse these risks in detail. There have been no changes from previous periods.

Other price risk sensitivity analysis

If the fair value of investments in unit trusts increased by 10% (2011: 10%) this would have increased equity for both the company and Group by \$21,295 (2011: \$24,082). A decrease of 10% would have reduced equity by the same amount. There would be no effect on profit.

Fair value hierarchy

The following table classifies financial instruments recognised in the statement of financial positions of the Group according to the hierarchy stipulated in AASB 7 as follows:

- Level 1 - the instrument has quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 - a valuation technique is applied using inputs other than quoted prices within Level 1 that are observable for the financial instrument, either directly (i.e. as prices), or indirectly (i.e. derived from prices); or
- Level 3 - a valuation technique is applied using inputs that are not based on observable market data (unobservable inputs).

	Level 1	Level 2	Level 3	Total
2012	\$000	\$000	\$000	\$000
Assets				
Available for sale financial assets:				
- Listed unit trusts	212,951	-	-	212,951
- Shares in unlisted entity	-	-	1,000,000	1,000,000
	212,951	-	1,000,000	1,212,951

	Level 1	Level 2	Level 3	Total
2011	\$000	\$000	\$000	\$000
Assets				
Available for sale financial assets:				
- Listed unit trusts	240,817	-	-	240,817
- Shares in unlisted entity	-	-	1,500,000	1,500,000
	240,817	-	1,500,000	1,740,817

3. Revenue

	Consolidated	
	2012	2011
Revenue from:		
Sales of services	12,900,350	12,872,123
Interest income from other parties	121,688	148,239
Unit trust distributions	23,160	16,288
Total revenue	13,045,198	13,036,650

4. Other Income

	Consolidated	
	2012	2011
	\$	\$
Sub-lease rental	62,331	62,847
Other	64,231	29,193
	126,562	92,040

5. Expenses

	Consolidated	
	2012	2011
	\$	\$
Finance costs	6,137	-
Defined contribution superannuation expense	660,764	770,741
Net foreign exchange (gains) / losses	(43,378)	71,552
Depreciation of plant and equipment	390,562	526,735
Impairment of available-for-sale financial assets	500,000	-
Rental expense relating to operating leases – minimum lease payments	664,749	715,548
Impairment losses – trade receivables	(15,366)	50,465

6. Income Tax Expense

(a) Numerical reconciliation of income tax expenses to prima facie tax payable

	Consolidated	
	2012	2011
	\$	\$
Profit/(loss)	(3,945,140)	(5,536,420)
Prima facie tax expense/(income) on loss before income tax at 30% (2011: 30%)	(1,183,542)	(1,660,926)
Add:		
Tax effect of:		
Entertainment	12,557	20,014
Director and employee option expense	75,113	192,701
UK intercompany interest	170,619	131,129
UK withholding tax	83,243	13,113
Research and development	-	(39,284)
	(842,010)	(1,343,253)
Difference in overseas tax rates	185,298	134,106
Current year tax losses not brought to account	534,640	1,239,482
Current year temporary differences not brought to account	122,072	(30,335)
Income Tax Expense	-	-

(b) Deferred tax assets not brought to account

	Consolidated	
	2012	2011
	\$	\$
Unused tax losses for which no deferred tax asset has been recognised	44,534,306	35,674,731
Deductible temporary differences for which no deferred tax asset has been recognised	9,571,210	9,978,117
	54,105,516	45,652,848
Potential tax benefit @ 30%	16,231,655	13,695,854

The benefit of the tax losses will only be realised if:

- (i) The Group derive future assessable income of a nature and amount sufficient to enable the benefit of the taxation deductions to be realised;
- (ii) The Group continue to comply with the conditions for deductibility imposed by law; and
- (iii) There are no changes in taxation legislation adversely affecting the Group in realising the benefit.

7. Cash and Cash Equivalents

	Consolidated	
	2012	2011
	\$	\$
Cash on hand	659	276
Bank balances	4,712,520	4,643,682
	4,713,179	4,643,958

Bank balances include a cash management account held in Australia which earns a weighted average effective interest rate of 4.5% (2011: 6.7%), and deposits on call held in Australia and denominated in GBP, which bears a weighted average effective interest rate of nil% (2011: nil%). Cash on term deposit relates to GBP, which matures on a monthly rolling basis.

Cash on hand is non-interest bearing.

	Consolidated	
	2012	2011
	\$	\$
Reconciliation of Cash		
Cash at the end of the financial year as shown in the statement of cash flows is reconciled to items in the statement of financial position as follows:		
Cash and cash equivalents	4,713,179	4,643,958
	4,713,179	4,643,958

8. Trade and Other Receivables

	Consolidated	
	2012	2011
	\$	\$
Current		
Trade receivables	1,603,885	1,260,679
Allowance for impairment of receivables	(57,750)	(55,224)
	1,546,135	1,205,455
Prepayments	459,835	503,863
Deposits receivable	260,140	231,368
Other receivables	202,301	-
	922,276	735,231
	2,468,411	1,940,686
Non-Current		
Other receivables	-	220,602

The carrying value of trade receivables is considered a reasonable approximation of fair value due to the short-term nature of the balances.

The maximum exposure to credit risk at the reporting date is the carrying value of each class of receivable in the financial statements. The Group does not hold any collateral as security over any receivable balance. Refer to Note 2 for the policies and processes for credit risk on trade receivables.

The average credit period on trade receivables is 30 days. No interest is charged on trade or other receivables.

Impaired receivables

The Group's trade and other receivables have been reviewed for indicators of impairment. Certain trade receivables were found to be impaired and a provision of \$57,750 (2011: \$55,224) has been recorded accordingly. The impaired trade receivables are mostly due from Praemium Australia Ltd.'s smaller customers that are experiencing financial difficulties.

There are no other impaired trade receivables in any of the Group's subsidiaries.

The aging of these impaired receivables is:

	Consolidated	
	2012 \$	2011 \$
Not more than 3 months	29,741	51,024
More than 3 months but not more than 6 months	28,009	4,200
More than 6 months but not more than 1 year	-	-
More than one year	-	-
Total	57,750	55,224

In addition, some of the unimpaired trade receivables are past due as at the reporting date. These relate to clients who have a good credit history with Praemium Australia Ltd.

The age of trade receivables past due but not impaired is as follows:

	Consolidated	
	2012 \$	2011 \$
Not more than 3 months	1,542,990	1,199,588
More than 3 months but not more than 6 months	3,145	5,867
More than 6 months but not more than 1 year	-	-
More than one year	-	-
Total	1,546,135	1,205,455

A reconciliation of the movement in the provision for impairment of receivables is shown below:

	Consolidated	
	2012 \$	2011 \$
At 1 July	55,224	27,686
Provision for impairment recognised in the year	15,366	50,465
Receivables written off as uncollectible	(12,840)	(22,927)
Balance at 30 June	57,750	55,224

There are no other impaired assets within other receivables and it is expected that other receivable balances will be received when due.

9. Financial Assets

	Consolidated	
	2012 \$	2011 \$
Available-for-sale financial assets	1,212,951	1,740,817
	1,212,951	1,740,817

(a) Available-for-sale Financial Assets comprise

	Consolidated	
	2012	2011
	\$	\$
Listed Investments		
Units in unit trust	212,951	240,817
Unlisted Investments		
Shares in unlisted entity	1,000,000	1,500,000
Total available-for-sale financial assets	1,212,951	1,740,817

(b) Change in value of available-for-sale financial assets

Under a contractual arrangement with one of its customers, in 2010 Praemium received \$1.5 million in shares within the customer's company in lieu of cash for services rendered by Praemium. Shares in this unlisted entity were impaired by \$500,000 in the year ended 30 June 2012 to reflect recent external share price valuations.

10. Property, Plant and Equipment

	Consolidated	
	2012	2011
	\$	\$
Furniture and equipment at cost	675,174	665,360
Accumulated depreciation	(376,888)	(307,825)
Total furniture and equipment	298,286	357,535
Computer equipment at cost	2,606,919	2,534,484
Accumulated depreciation	(2,243,374)	(1,909,580)
Total computer equipment	363,545	624,904
Total property, plant and equipment	661,831	982,439

30 June 2012

	Furniture, Fixtures and Fittings \$	Computer Equipment \$	Total \$
Balance at 1 July 2011	357,535	624,904	982,439
Additions	2,406	59,625	62,031
Disposals	-	-	-
Depreciation expense	(65,996)	(324,566)	(390,562)
Exchange differences	4,341	3,582	7,923
Balance at 30 June 2012	298,286	363,545	661,831

30 June 2011

	Furniture, Fixtures and Fittings \$	Computer Equipment \$	Total \$
Balance at 1 July 2010	412,161	942,457	1,354,618
Additions	43,183	188,438	231,621
Disposals	-	(5,114)	(5,114)
Depreciation expense	(63,183)	(463,552)	(526,735)
Exchange differences	(34,626)	(37,325)	(71,951)
Balance at 30 June 2011	357,535	624,904	982,439

11. Trade and Other Payables

	Consolidated	
	2012 \$	2011 \$
Unsecured liabilities		
Trade payables	427,712	710,481
Accrued expenses	177,446	764,586
Good and Services Tax	183,220	109,368
Other payables	925,636	733,893
Unearned income	178,500	758,910
	1,892,514	3,077,238

All amounts are short term and the carrying values are considered to be a reasonable approximation of fair value.

12. Provisions

	Consolidated	
	2012 \$	2011 \$
Current		
Employee benefits	490,469	846,779
	490,469	846,779
Non-Current		
Employee benefits	81,378	110,719
	81,378	110,719

13. Issued Capital

Consolidated		
	2012	2011
	\$	\$
2012: 294,127,445 (2011: 242,391,611) fully paid ordinary shares	55,522,531	50,498,731

Movement in ordinary share capital				
Date	Details	Number of shares	Issue price \$	Total \$
30 June 2011	Balance	242,391,611		50,498,731
09-September-2011	Employee share bonus issue	480,000	0.140	67,200
25-October-2011	Share Placement	50,000,000	0.100	5,000,000
	Transaction costs			(231,450)
09-November-2011	Issue under employee share plan	66,667	0.200	13,333
21-December-2011	Issue under employee share plan	712,500	0.120	85,500
21-December-2011	Issue under employee share plan	50,000	0.145	7,250
21-December-2011	Issue under employee share plan	100,000	0.150	15,000
31-January-2012	Issue under employee share plan	326,667	0.205	66,967
30 June 2012	Balance	294,127,445		55,522,531

(a) Ordinary shares

Ordinary shares entitle the holder to participate in dividends and the proceeds on winding up of the company in proportion to the number of and amounts paid on the shares held.

On a show of hands every holder of ordinary shares present at a meeting in person or by proxy, is entitled to one vote, and upon a poll each share is entitled to one vote.

(b) Capital management

The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Group considers its capital to be total equity, which comprises ordinary share capital, available-for-sale financial assets revaluation reserve, foreign currency translation reserve, option reserve and accumulated retained earnings/losses.

In managing its capital, the Group's primary objective is to ensure its continued ability to provide a consistent return for its equity shareholders through capital growth. In making decisions to adjust its capital structure, for instance by issuing new shares, the Group considers not only its short-term position but also its long-range operational and strategic objectives.

Consolidated		
	2012	2011
	\$	\$
Share capital	55,522,531	50,498,731
Available-for-sale financial assets revaluation reserve	(11,421)	4,930
Foreign currency translation reserve	(1,493,344)	(1,466,234)
Option reserve	654,940	635,912
Accumulated losses	(48,080,695)	(44,179,573)
Total equity	6,592,011	5,493,766

(c) Options and performance rights

Information is set out in note 21 relating to options and performance rights issued, exercised and lapsed during the financial year and options outstanding at the end of the financial year.

14. Reserves

	Consolidated	
	2012	2011
	\$	\$
Reserves		
Available-for-sale financial assets revaluation reserve	(11,421)	4,930
Foreign currency translation reserve	(1,493,344)	(1,466,234)
Option reserve	654,940	635,912
Total	(849,825)	(825,392)

(a) Movement in reserves

Movements in reserves are detailed in the statements of changes in equity.

(b) Nature and purpose of reserves

Foreign Currency Translation Reserve - Exchange differences arising on translation of the foreign-controlled entity are taken to the foreign currency translation reserve, as described in note 1(n). The reserve is recognised in profit and loss when the net investment is disposed of.

Option Reserve - The option reserve records the fair value of options issued.

Revaluation Reserve - The revaluation reserve records the revaluation of available-for-sale financial assets.

15. Key Management Personnel Disclosures

The following disclosures should be read in conjunction with Remuneration Report contained in the Directors' Report. Details of Key Management Personnel are disclosed in the Remuneration Report.

(a) Key management personnel compensation

	Consolidated	
	2012	2011
	\$	\$
Short-term employee benefits	1,721,556	2,122,045
Post-employment benefits	150,629	153,563
Long-term benefits	13,584	68,803
Share-based payments	404,063	334,038
Termination payments	581,138	-
	2,870,970	2,678,449

(b) Option holdings

The number of options held over ordinary shares in the company during the financial year by each director of Praemium Limited and other key management personnel of the Group are set out in the Directors' Report.

2012	Balance 30 June 2011	Granted as compensation	Options exercised	Options lapsed	Options forfeited	Balance 30 June 2012
Parent entity directors						
Michael Ohanessian	-	1,000,000	-	-	-	1,000,000
John Bryson	135,000	-	-	(135,000)	-	-
	135,000	1,000,000	-	(135,000)	-	1,000,000

2011	Balance 30 June 2010	Granted as compensation	Options exercised	Options lapsed	Options forfeited	Balance 30 June 2011
Parent entity directors						
John Bryson	270,000	-	-	(135,000)	-	135,000
Other key management personnel						
Christine Silcox	99,000	-	-	(99,000)	-	-
James Maramis	40,000	-	-	(40,000)	-	-
John Martin	70,000	-	-	(70,000)	-	-
	479,000	-	-	(344,000)	-	135,000

(c) Performance rights holdings

The number of performance rights held over ordinary shares in the company during the financial year by each key management personnel of the Group is set out in the Directors' Report. As at the date of this report no performance rights have vested.

2012	Allotted Date	Balance 1 July 2011	Granted as compensation	Vested	Lapsed	Balance 30 June 2012
Parent entity directors						
Michael Ohanessian	9-Sep-11	-	5,000,000	-	-	5,000,000
Cathryn Nolan	12-Oct-10	250,000	-	-	(250,000)	-
Other key management personnel						
Paul Gutteridge	9-Sep-11	-	500,000	-	-	500,000
Christine Silcox	5-Mar-10	250,000	-	(125,000)	-	125,000
James Maramis	5-Mar-10	250,000	-	(125,000)	-	125,000
John Martin	23-Dec-10	653,333	-	-	-	653,333
William Brewis	23-Dec-10	300,000	-	-	-	300,000
		1,703,333	5,500,000	(250,000)	(250,000)	6,703,333

2011	Allotted Date	Balance 1 July 2010	Granted as compensation	Vested	Lapsed	Balance 30 June 2011
Parent entity directors						
Cathryn Nolan	12-Oct-10	-	250,000	-	-	250,000
Other key management personnel						
Christine Silcox	5-Mar-10	500,000	-	(250,000)	-	250,000
James Maramis	5-Mar-10	500,000	-	(103,777)	(146,223)	250,000
John Martin	23-Dec-10		980,000	(326,667)	-	653,333
William Brewis	23-Dec-10		450,000	(150,000)	-	300,000
		1,000,000	1,680,000	(830,444)	(146,223)	1,703,333

(d) Shareholdings directly and indirectly beneficially held

2012	Balance 1 July 2011	Received as compensation	Received on the exercise of options	Other changes during the year	Balance 30 June 2012
Parent entity directors					
Donald Stammer	17,643,648	-	-	1,250,000	18,893,648
Arthur Naoumidis	19,524,883	-	-	(4,342,756)	15,182,127
Bruce Parncutt	-	-	-	12,105,000	12,105,000
Michael Ohanessian	-	-	-	5,132,900	5,132,900
Robert Edgley	1,800,000	-	-	-	1,800,000
John Bryson	461,546	-	-	500,000	961,546
Cathryn Nolan	800,000	-	-	-	800,000
Other key management personnel					
Christine Silcox	2,239,900	-	125,000	500,000	2,864,900
James Maramis	500,000	-	125,000	700,000	1,325,000
Paul Gutteridge	-	-	-	1,000,000	1,000,000
John Martin	174,269	240,000	-	-	414,269
William Brewis	-	-	-	10,000	10,000
	43,144,246	240,000	250,000	16,855,144	60,489,390

2011	Balance 1 July 2010	Received as compensation	Received on the exercise of options	Other changes during the year	Balance 30 June 2011
Parent entity directors					
Arthur Naoumidis	24,867,497	-	-	(5,342,614)	19,524,883
Donald Stammer	9,913,648	-	-	7,730,000	17,643,648
Robert Edgley	1,760,000	-	-	40,000	1,800,000
John Bryson	461,546	-	-	-	461,546
Cathryn Nolan	500,000	260,000	-	40,000	800,000
Other key management personnel					
Christine Silcox	1,989,900	-	250,000	-	2,239,900
James Maramis	724,314	-	103,777	(328,091)	500,000
John Martin	174,269	-	-	-	174,269
	40,391,174	260,000	353,777	2,139,295	43,144,246

16. Auditors' Remuneration

	Consolidated	
	2012	2011
	\$	\$
Remuneration of the auditor of the consolidated entity for:		
Audit Services		
Auditors of Praemium Limited: Grant Thornton		
- Audit and review of financial reports	73,582	73,900
Overseas Grant Thornton firm		
- Audit and review of financial reports	60,061	106,380
Overseas Non-Grant Thornton firm		
- Audit and review of financial reports	-	8,000
Audit services remuneration	133,643	188,280
Other Services		
Auditors of Praemium Limited: Grant Thornton		
- Internal controls review	108,150	110,000
- Taxation services	27,701	15,000
- Other services	10,406	-
Overseas Non-Grant Thornton firm		
- Taxation services	-	29,759
Total other services remuneration	146,257	154,759
Total Auditors' remuneration	279,900	343,039

17. Capital and Leasing Commitments

(a) Operating lease commitments

Non-cancellable operating leases contracted for but not capitalised in the financial statements.

	Consolidated	
	2012	2011
	\$	\$
Payable - minimum lease payments		
Not later than 12 months	594,229	639,760
Between 12 months and 5 years	1,936,408	1,610,408
	2,530,637	2,250,168

Operating lease commitments relate to rental commitments for office premises in Melbourne, Sydney, Adelaide and London expiring within three to five years. The leases have varying terms, escalation clauses and renewal rights. On renewal, the terms of the leases are renegotiated. Excess space is sub-let to third parties also under non-cancellable operating leases.

18. Segment Information

a) Description of segments

Management has determined the operating segments that are used to make strategic decisions. It considers performance on a geographic basis and has identified 2 reportable segments, being Australia and the United Kingdom.

b) Segment information provided to the board of directors

The segment information provided to the board of directors for the reportable segments for the year ended 30 June 2012 is as follows:

2012	Australia	United Kingdom	Total
Revenue			
Total segment revenue	11,311,231	1,831,092	13,142,323
Inter-segment revenue	(241,973)	-	(241,973)
Revenue from external customers	11,069,258	1,831,092	12,900,350
EBITDA (loss) excluding Group Overheads *	3,549,043	(4,400,479)	(851,436)
EBITDA (loss)	2,794,967	(4,400,479)	(1,605,512)
Interest	114,557	7,131	121,688
Interest Intercompany and Margin	587,379	(587,379)	-
Depreciation	(262,945)	(127,617)	(390,562)
Unrealised FX	43,378	-	43,378
Unit Trust Income	23,160	-	23,160
Restructure Costs	(1,156,613)	(203,203)	(1,359,816)
Impairment of available for sale financial assets	(500,000)	-	(500,000)
Withholding Tax	(277,476)	-	(277,476)
Net Profit / (Loss) Before Tax	1,366,407	(5,311,547)	(3,945,140)
Segment assets	6,684,706	2,371,666	9,056,372
Segment liabilities	(1,639,446)	(824,915)	(2,464,361)
Employee benefits expense	5,460,733	4,677,096	10,137,829
Additions to non-current assets (other than financial assets, deferred tax, post-employment benefit assets, rights arising under insurance contracts)	36,650	25,381	62,031

* Group overheads relate to costs associated with operating a public company, including Board of Directors, share registry and public relations costs as well as a percentage allocation for the CEO, Group CFO and General Counsel on investor relations.

The segment information provided to the board of directors for the reportable segments for the year ended 30 June 2011 is as follows:

2011	Australia	United Kingdom	Total
Revenue			
Total segment revenue	12,041,627	3,299,262	15,340,889
Inter-segment revenue	(432,591)	(2,036,175)	(2,468,766)
Revenue from external customers	11,609,036	1,263,087	12,872,123
EBITDA (loss) excluding Group Overheads *	1,271,815	(5,411,107)	(4,139,292)
EBITDA (loss)	352,157	(5,411,107)	(5,058,950)
Interest	147,829	410	148,239
Interest Intercompany and Margin	325,383	(325,383)	-
Depreciation	(373,035)	(153,700)	(526,735)
Unrealised FX	(71,552)	-	(71,552)
Unit Trust Income	16,288	-	16,288
Withholding Tax	(43,710)	-	(43,710)
Net Profit / (Loss) Before Tax	353,360	(5,889,780)	(5,536,420)
Segment assets	7,572,494	1,956,009	9,528,503
Segment liabilities	(2,709,044)	(1,325,692)	(4,034,736)
Employee benefits expense	7,792,916	4,732,673	12,525,589
Additions to non-current assets (other than financial assets, deferred tax, post-employment benefit assets, rights arising under insurance contracts)	119,630	106,877	226,507

(c) Reconciliations**(i) Revenue**

A reconciliation of segment revenue to entity revenue is provided as follows:

	Consolidated	
	2012	2011
	\$	\$
Segment revenue	12,900,350	12,872,123
Interest income from other parties	121,688	148,239
Unit trust distributions	23,160	16,288
Total revenue	13,045,198	13,036,650

(ii) EBITDA

A reconciliation of EBITDA to operating profit before income tax is provided as follows:

	Consolidated	
	2012	2011
	\$	\$
EBITDA (loss)	(1,605,512)	(5,058,950)
Depreciation and amortisation	(390,562)	(526,735)
Interest revenue	121,688	148,239
Unrealised FX	43,378	(71,552)
Unit trust income	23,160	16,288
Restructure Costs	(1,359,816)	-
Impairment of available for sale financial assets	(500,000)	-
Withholding tax	(277,476)	(43,710)
Net profit/(loss) before tax	(3,945,140)	(5,536,420)

(iii) Segment assets

The amounts provided to the board of directors with respect to total assets are measured in a manner consistent with that of the financial statements. These assets are allocated based on the operations of the segment.

Reportable segments' assets are reconciled to total assets as follows:

	Consolidated	
	2012	2011
	\$	\$
Segment assets	9,056,372	9,528,502
Total assets as per the statements of financial position	9,056,372	9,528,502

The total of non-current assets other than financial instruments and deferred tax assets (there are no employment benefit assets and rights arising under insurance contracts) located in Australia is \$379,996 (2011: \$603,292) and the total of these non-current assets located in other countries is \$284,834 (2011: \$379,148). Segment assets are allocated to countries based on where the assets are located.

(iv) Segment liabilities

The amounts provided to the board of directors with respect to total liabilities are measured in a manner consistent with that of the financial statements. These liabilities are allocated based on the operations of the segment.

Reportable segments' assets are reconciled to total liabilities as follows:

	Consolidated	
	2012	2011
	\$	\$
Segment liabilities	2,464,361	4,034,736
Total liabilities as per the statements of financial position	2,464,361	4,034,736

(d) Entity-wide information

The entity is domiciled in Australia. The amount of its revenue from external customers in Australia is \$11,069,258 (2011: \$11,609,036) and the total revenue from external customers in other countries is \$1,831,092 (2011: \$1,263,087). Segment revenues are allocated based on the country in which revenue and profit are derived.

Revenues of \$1,185,976 (2011: \$1,562,496) are derived from a single external customer. These revenues are attributable to the Australian segment.

19. Events After the Reporting Date

- (a) Praemium (UK) Ltd, a subsidiary of Praemium Limited, has undertaken a significant number of research and development (R&D) projects to maintain its technological advantage in the fund platform market and has sought to claim certain qualifying R&D expenditure as being eligible for tax relief under sections 1125 and 1126 of the UK Corporation Tax Act 2009. At 30th June 2012 Praemium (UK) Ltd had submitted a claim for a repayment of corporation tax after applying tax credits on R&D expenditures for the year ended 30th June 2010 of £193,154. The Company also pre-submitted a claim in respect of the year ended 30th June 2011, with value yet to be determined, and will submit a further claim for the year ending 30th June 2012. The amount of £193,154 was paid to the Company by HM Revenue and Customs on 17th July 2012. However, because there remains conditionality over the formal acceptance of the FY2011 and FY2012 claims by way of an HM Revenue and Customs final determination, the Company will only account for the claims by treating them as an exceptional item in the period in which any such final determinations are made.
- (b) Directors have not become aware of any other matter or circumstance not otherwise dealt with in the financial statements that since 30 June 2012 has significantly affected or may significantly affect the operations of the company or the consolidated entity, the results of those operations or the state of affairs in subsequent financial years.
- (c) The financial report was authorised for issue on 23 August 2012 by the board of directors.

20. Cash Flow Information

	Consolidated	
	2012	2011
	\$	\$
Net income/loss for the period	(3,945,140)	(5,536,420)
Issue of financial assets	-	(1,166,667)
Unit trust distributions	(23,161)	(16,288)
Non-cash flows in profit from ordinary activities		
Depreciation	390,562	526,735
Option expense	250,378	642,919
Shares issued as employee bonus	67,200	66,400
Unrealised foreign exchange loss	(43,378)	71,552
Loss on disposal of plant and equipment	-	-
Impairment of available for sale financial assets	500,000	-
Changes in assets and liabilities, net of the effects of purchase and disposal of subsidiaries		
(Increase)/decrease in trade and other receivables	(266,534)	621,705
Increase/(decrease) in trade payables and accruals	(965,854)	(1,251,214)
Increase/(decrease) in employee provisions	(387,378)	187,513
Net cash (used by) /provided from operating activities	(4,423,305)	(5,853,765)

21. Share-based Payments

(a) Director and specified executive option plan

Praemium Limited has in prior years offered options to directors and specified executives. The options may only be exercisable after the relevant vesting date and prior to the expiry date if the volume weighted average price at which the company's shares are traded on market for a period of 10 trading days or more is greater than the exercise price.

There are no participating rights or entitlements inherent in the options or performance rights and holders will not be entitled to participate in new issues of capital offered to shareholders during the currency of the options or performance rights. However, the company will ensure that for the purposes of determining entitlements to any such issue, the record date will be at least 7 business days after the issue is announced. This will give option and performance right holders the opportunity to exercise their options or performance rights prior to the date for determining entitlements to participate in any such issue assuming they have vested at that time. If at any time the issued capital of Praemium Limited is reconstructed, all rights of an option or performance right holder are to be changed in a manner consistent with the ASX Listing Rules. Set out below are summaries of unvested options granted under the plan:

2012

Grant date	Expiry date	Exercise price	Balance at start of the year	Granted during the year	Exercised during the year	Forfeited / Lapsed during the year	Balance at end of the year	Exercisable at end of the year
			Number	Number	Number	Number	Number	Number
7-Aug-07	6-Aug-11	\$1.67	135,000	-	-	(135,000)	-	-
31-Dec-08	30-Dec-11	\$0.35	62,286	-	-	(62,286)	-	-
31-Dec-09	30-Sep-10	\$0.165	440,000	-	-	(440,000)	-	-
15-Mar-10	30-Sep-11	\$0.155	720,000	-	-	(720,000)	-	-
9-Sep-11	9-Aug-16	\$0.15	-	1,000,000	-	-	1,000,000	-
			1,357,286	1,000,000	-	(1,357,286)	1,000,000	-
Weighted average exercise price			\$0.32	\$0.15	\$0.00	\$0.32	\$0.15	\$0.00

The weighted average remaining contractual life of options outstanding at the end of the year was 4.11 years (2011: 0.19 years).

2011

Grant date	Expiry date	Exercise price	Balance at start of the year	Granted during the year	Exercised during the year	Forfeited / Lapsed	Balance at end of the year	Exercisable at end of the year
			Number	Number	Number	Number	Number	Number
7-Aug-07	6-Aug-10	\$1.32	135,000	-	-	(135,000)	-	-
	6-Aug-11	\$1.67	135,000	-	-	-	135,000	135,000
10-Oct-08	9-Oct-10	\$0.30	1,266,798	-	-	(1,266,798)	-	-
31-Dec-08	30-Dec-10	\$0.30	716,667	-	-	(716,667)	-	-
	30-Dec-11	\$0.35	62,286	-	-	-	62,286	62,286
31-Dec-09	30-Sep-10	\$0.165	440,000	-	-	-	440,000	440,000
15-Mar-10	30-Sep-11	\$0.155	920,000	-	(50,000)	(150,000)	720,000	720,000
			3,675,751	-	(50,000)	(2,268,465)	1,357,286	1,357,286
Weighted average exercise price			\$0.34	\$0.00	\$0.16	\$0.35	\$0.32	\$0.32

(b) Performance rights

Performance rights are granted to key employees and will be vested in the respective employee on the vesting date upon the employee successfully meeting the following criteria: 1) the employee must still be an employee as at the vesting date, 2) the Company's group EBIT target (as agreed by the Board) is achieved and 3) the employee must successfully deliver upon certain measurable key performance indicators.

2012

Grant date	Vesting date	Balance at start of the year Number	Granted during the year Number	Exercised during the year Number	Forfeited during the year Number	Balance at end of the year Number	Exercisable at end of the year Number
5-Mar-10	30-Sep-10	1,783,777	-	(1,783,777)	-	-	-
	30-Sep-11	975,000	-	(712,500)	(262,500)	-	-
	30-Sep-12	975,000	-	-	(262,500)	712,500	-
		3,733,777	-	(2,496,277)	(525,000)	712,500	-
25-May-10	30-Oct-10	100,000	-	(100,000)	-	-	-
	30-Oct-11	50,000	-	(50,000)	-	-	-
	30-Oct-12	50,000	-	-	-	50,000	-
		200,000	-	(150,000)	-	50,000	-
12-Oct-10	30-Oct-11	225,000	-	(100,000)	(125,000)	-	-
	30-Oct-12	225,000	-	-	(125,000)	100,000	-
		450,000	-	(100,000)	(250,000)	100,000	-
22-Dec-10	27-Apr-11	466,667	-	(66,667)	-	400,000	400,000
	Milestone	366,666	-	-	(100,000)	266,666	-
	Milestone	366,666	-	-	(100,000)	266,666	-
		1,199,999	-	(66,667)	(200,000)	933,332	400,000
23-Dec-10	27-Apr-11	870,001	-	(326,667)	-	543,334	543,334
	Milestone	770,001	-	-	(326,667)	443,334	-
	Milestone	769,999	-	-	(326,667)	443,332	-
		2,410,001	-	(326,667)	(653,334)	1,430,000	543,334
9-Sep-11	30-Sep-12	-	250,000	-	-	250,000	-
	30-Sep-13	-	2,625,000	-	-	2,625,000	-
	30-Sep-14	-	1,375,000	-	-	1,375,000	-
	30-Sep-15	-	1,250,000	-	-	1,250,000	-
		-	5,500,000	-	-	5,500,000	-
		7,993,777	5,500,000	(3,139,611)	(1,628,334)	8,725,832	943,334

2011

Grant date	Vesting date	Balance at start of the year Number	Granted during the year Number	Exercised during the year Number	Forfeited during the year Number	Balance at end of the year Number	Exercisable at end of the year Number
5-Mar-10	30-Sep-10	2,000,000	-	-	(216,223)	1,783,777	1,783,777
	30-Sep-11	1,000,000	-	-	(25,000)	975,000	-
	30-Sep-12	1,000,000	-	-	(25,000)	975,000	-
		4,000,000	-	-	(266,223)	3,733,777	1,783,777
25-May-10	30-Oct-10	100,000	-	-	-	100,000	100,000
	30-Oct-11	50,000	-	-	-	50,000	-
	30-Oct-12	50,000	-	-	-	50,000	-
		200,000	-	-	-	200,000	100,000
12-Oct-10	30-Oct-11	-	225,000	-	-	225,000	-
	30-Oct-12	-	225,000	-	-	225,000	-
		-	450,000	-	-	450,000	-
22-Dec-10	27-Apr-11	-	466,667	-	-	466,667	466,667
	Milestone	-	366,666	-	-	366,666	-
	Milestone	-	366,666	-	-	366,666	-
		-	1,199,999	-	-	1,199,999	466,667
23-Dec-10	27-Apr-11	-	870,001	-	-	870,001	870,001
	Milestone	-	770,001	-	-	770,001	-
	Milestone	-	769,999	-	-	769,999	-
		-	2,410,001	-	-	2,410,001	870,001
		4,200,000	4,060,000	-	(266,223)	7,993,777	3,220,445

(c) Shares issued as employee bonus

Shares were issued during the period as an employee bonus; these were measured at the quoted market price of the shares.

	Number issued	Value \$	Weighted average fair value \$
Consolidated - 2012	480,000	67,200	0.14
Consolidated - 2011	410,000	66,400	0.16

(d) Expenses arising from share-based payment transactions

Total expenses arising from share-based payment transactions recognised during the period as part of employee costs were as follows:

	Consolidated	
	2012 \$	2011 \$
Options issued under employee option plan	36,560	(1,640)
Shares issued as employee bonus	67,200	66,400
Performance rights	213,818	644,559
	317,578	709,319

22. Earnings per Share

(a) Reconciliation of earnings to profit or loss

	Consolidated	
	2012 \$	2011 \$
Profit/(loss)	(3,945,140)	(5,536,420)
Earnings used to calculate basic EPS	(3,945,140)	(5,536,420)
Earnings used in calculation of diluted EPS	(3,945,140)	(5,536,420)

(b) Weighted average number of ordinary shares (diluted):

	Consolidated	
	2012	2011
Weighted average number of ordinary shares outstanding during the year:		
Number used in calculating basic EPS	278,184,812	223,924,843
Number used in calculating diluted EPS	279,128,146	228,698,175

2012: 8,782,498 (2011: 4,773,332) options / performance rights outstanding are not included in the calculation of diluted earnings per share because they are anti-dilutive for the years ended 30 June 2012 and 2011.

23. Parent Entity Information

The following details information related to the parent entity, Praemium Limited, at 30 June 2012. The information presented here has been prepared using consistent accounting policies as presented in Note 1.

	2012 \$	2011 \$
Current assets	5,705,201	6,496,893
Non-current assets	6,152,863	6,209,122
Total assets	11,858,064	12,706,015
Current liabilities	474,211	543,118
Non-current liabilities	287,186	482,072
Total Liabilities	761,397	1,025,190
Contributed equity	55,522,531	50,498,731
Accumulated losses	(45,066,826)	(39,454,007)
Option reserve	654,940	635,912
Available-for-sale financial assets revaluation reserve	(13,978)	189
Total equity	11,096,667	11,680,825
Profit / (loss) for the year	(5,656,837)	(9,098,959)
Other Comprehensive income/(loss) for the year	(14,167)	10,521
Total comprehensive income/(loss) for the year	(5,671,004)	(9,088,438)

24. Corporate Information

Registered office and principal place of business

The registered office of the Company is Praemium Limited, Level 1, 406 Collins Street, Melbourne, VIC 3000.
Phone: +61 3 8622 1222 Fax: +613 8622 1200 Website: www.praemium.com.au

Board of Directors

Bruce Parncutt
Robert Edgley
Peter Mahler
Bruce Loveday

Managing Director

Michael Ohanessian

Company Secretary

Paul Gutteridge

Share Registry

Link Market Services: Level 12, 680 George Street, Sydney, NSW 2000. Phone: 1300 554 474

Auditor

Grant Thornton: Level 2, 215 Spring Street, Melbourne, VIC 3000. Phone: +613 8663 6000

Auditor's Independence Declaration



Grant Thornton Audit Pty Ltd
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Auditor's Independence Declaration To the Directors of Praemium Limited

In accordance with the requirements of section 307C of the Corporations Act 2001, as lead auditor for the audit of Praemium Limited for the year ended 30 June 2012, I declare that, to the best of my knowledge and belief, there have been:

- a. no contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and
- b. no contraventions of any applicable code of professional conduct in relation to the audit.

GRANT THORNTON AUDIT PTY LTD

Chartered Accountants

M. A. Cunningham
Partner - Audit & Assurance

Melbourne, 23rd August 2012

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Independent Audit Report



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Independent Auditor's Report To the Members of Praemium Limited

Report on the financial report

We have audited the accompanying financial report of Praemium Limited (the "Company"), which comprises the consolidated statement of financial position as at 30 June 2012, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information and the directors' declaration of the consolidated entity comprising the Company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' responsibility for the financial report

The Directors of the Company are responsible for the preparation of the financial report that gives a true and fair view of the financial report in accordance with Australian Accounting Standards and the Corporations Act 2001. This responsibility includes such internal controls as the Directors determine are necessary to enable the preparation of the financial report to be free from material misstatement, whether due to fraud or error. The Directors also state, in the notes to the financial report, in accordance with Accounting Standard AASB 101 Presentation of Financial Statements, that compliance with the Australian equivalents to International Financial Reporting Standards ensures that the financial report, comprising the financial statements and notes, complies with International Financial Reporting Standards.

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards which require us to comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

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An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error.

In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence

In conducting our audit, we have complied with the independence requirements of the Corporations Act 2001.

Auditor's opinion

In our opinion:

- a the financial report of Praemium Limited is in accordance with the Corporations Act 2001, including:
 - i giving a true and fair view of the consolidated entity's financial position as at 30 June 2012 and of its performance for the year ended on that date; and
 - ii complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001; and
- b the financial report also complies with International Financial Reporting Standards as disclosed in the notes to the financial statements.

Report on the remuneration report

We have audited the remuneration report included in pages 14 to 19 of the directors' report for the year ended 30 June 2012. The Directors of the Company are responsible for the preparation and presentation of the remuneration report in accordance with section 300A of the Corporations Act 2001. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with Australian Auditing Standards.

Auditor's opinion on the remuneration report

In our opinion, the remuneration report of Praemium Limited for the year ended 30 June 2012, complies with section 300A of the Corporations Act 2001.

A handwritten signature in blue ink that reads "Grant Thornton".

GRANT THORNTON AUDIT PTY LTD

Chartered Accountants

A handwritten signature in blue ink, appearing to be "M. A. Cunningham".

M. A. Cunningham
Partner - Audit & Assurance

Melbourne, 23rd August 2012

Additional Disclosures required or recommended by the Listing Rules & Corporations Act

Information required to be disclosed by the Listing Rules and not disclosed elsewhere in this report is set out below:

Top 20 Shareholders

Rank	Name	9 Aug 12	% IC
1	M F CUSTODIANS LTD	12,960,000	4.41%
2	MR ARTHUR NAOUMIDIS & MRS KATHRYN NAOUMIDIS	12,293,844	4.18%
3	DR DONALD WILLIAM STAMMER	10,937,366	3.72%
4	NATIONAL NOMINEES LIMITED	10,753,461	3.66%
5	EXCELSIOR HOLDINGS PTY LIMITED	8,500,000	2.89%
6	EQUITAS NOMINEES PTY LIMITED	6,300,000	2.14%
7	UCAN NOMINEES PTY LTD	5,000,000	1.70%
8	MR MICHAEL OHANESSIAN	5,000,000	1.70%
9	FIFTY-NINTH SHACKLE PTY LTD	4,871,949	1.66%
10	UCAN NOMINEES PTY LTD	4,375,000	1.49%
11	PATCHEOAK PTY LTD	4,281,000	1.46%
12	BLM SUPERANNUATION NOMINEES PTY LTD	4,217,145	1.43%
13	GINGA PTY LTD	4,000,000	1.36%
14	MEROMA PTY LIMITED	3,925,158	1.33%
15	KITGROVE PTY LTD	3,700,000	1.26%
16	UBS WEALTH MANAGEMENT AUSTRALIA NOMINEES PTY LTD	3,554,262	1.21%
17	ORNATO INVESTMENTS PTY LTD	3,216,850	1.09%
18	NELCAN PTY LTD	3,200,000	1.09%
19	CHORD CAPITAL PTY LTD	3,035,714	1.03%
20	T A G CONSTRUCTIONS PTY LTD	3,000,000	1.02%
TOTAL		117,121,749	39.82%
Balance of Register		177,005,696	60.18%
Grand TOTAL		294,127,445	100.00%

Substantial Holdings

As at the date of this report, the names of the substantial holders in the Company and the number of ordinary shares to which each substantial holder and its associates have a relevant interest as disclosed in substantial holding notices given to the Company are set out below:

Dr Donald W Stammer	18,893,648	6.4%
Mr Nicholas A Owen	17,900,742	6.1%

There are 294,127,445 ordinary shares on issue in the capital of the company at the date of this report. There are no other classes of shares currently on issue other than ordinary shares. Each holder of ordinary shares has the right to attend and vote at general meetings of the company in person, by representative or by proxy. On a show of hands, each member entitled to be present has one vote. If the shareholder is represented by more than one person, they will still only have one vote on a show of hands. On a poll, each ordinary share represents one vote.

Details of all options and performance rights on issue as at the end of the financial year are set out in Note 15 to the Accounts.

The following table shows the number of holders of each class of equity securities as at the date of this report and how those holdings are distributed:

Ordinary Shares

Range	Securities		No. of Holders	
	Number	%	Number	%
100,001 and Over	268,933,963	91.44	305	22.94
10,001 to 100,000	22,691,261	7.71	581	43.68
5,001 to 10,000	1,893,523	0.64	222	16.69
1,001 to 5,000	582,912	0.20	158	11.88
1 to 1,000	25,786	0.01	64	4.81
Total	294,127,445	100	1,330	100

Options (Vested and unvested)

Range	Securities		No. of Holders	
	Number	%	Number	%
100,001 and Over	1,000,000	100	1	100
10,001 to 100,000	-	0	-	0
5,001 to 10,000	-	0	-	0
1,001 to 5,000	-	0	-	0
1 to 1,000	-	0	-	0
Total	1,000,000	100	1	100

Performance Rights

(Includes EMI Options, including those that have vested but have not yet been exercised.)

Range	Securities		No. of Holders	
	Number	%	Number	%
100,001 and Over	10	45	8,330,000	95
10,001 to 100,000	12	55	395,833	5
5,001 to 10,000	0	0	0	0
1,001 to 5,000	0	0	0	0
1 to 1,000	0	0	0	0
Total	22	100	8,725,833	100

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